1 | PUBLIC AMBIGUITY AND THE MULTIPLE MEANINGS OF CORPORATIZATION

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After three decades of privatization and anti-state rhetoric, government ownership and public management are back in vogue. Governments around the world are taking back control of services previously sold or contracted out to the private sector, with the overall number of public enterprises around the world having 'actually increased' since the 1990s (Clò et al. 2013: 1). Even the Anglo-American heartland of privatization has seen more insourcing than outsourcing over the past decade, as public sector managers become increasingly frustrated with the 'inadequate' quality and scant cost savings of privatization, particularly in essential service sectors such as water and electricity (Warner and Hefetz 2012: 318; see also Cardwell 2013; Warner 2010).

Corporatization has proved to be one of the most popular forms of this renewed interest in government ownership. Sometimes described as agencies or parastatals, corporatized entities are fully owned and operated by the state but have a degree of autonomy from government. They typically have a separate legal status from other public service providers and a corporate structure similar to publicly traded private sector companies, such as a board of directors. Water and electricity utilities are common examples, although the practice extends to a much wider range of goods and services, including airports, childcare, universities, forests, hospitals, transport and manufacturing (Aivazian et al. 2005; Bilodeau et al. 2007; Fink 2008; Meyer 2002; Moynihan 2006; Nelson and Nikolakis 2012; Oum et al. 2006; Preker and Harding 2003; Sumsion 2006; Zatti 2012).

The primary objective of corporatization is to create arm's-length enterprises with independent managers responsible solely for the operation of their own immediate organization, and where all costs and revenues are accounted for as though it were a stand-alone

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company. This ring-fencing – or *agencification* as it is often called – is intended to create greater financial transparency, reduce political interference, and strengthen managerial accountability within relatively autonomous service entities. It can also serve to enhance the borrowing status and credit ratings of agencies, less encumbered by complex intra-governmental finances.

More controversially, corporatization has been used to create market-friendly public sector cultures and ideologies. Since the late 1970s, corporatized public utilities have been run increasingly on market-oriented operating principles such as financialized performance indicators, cost-reflexive pricing and competitive outsourcing. This is part of a larger neoliberal trend towards new public management, often with the express intent of outright privatization once the profit potential of a corporatized entity has been realized (Hood 1991; McDonald and Ruiters 2012a; Moynihan 2006; Osborne and Gaebler 1992; Shirley 1999). As one observer notes with regard to the corporatization of state-owned enterprises (SOEs) in China, 'such reforms represent a policy alternative for countries seeking to restructure SOEs without massive privatization', with the added advantage of preparing for 'eventual privatization' (Aivazian et al. 2005: 791). The Organisation for Economic Co-operation and Development's definition reinforces this commercialization trajectory, arguing that stand-alone SOEs should not 'contradict or discourage countries from undertaking any privatisation policies or programmes' (OECD 2005: 9). In other words, corporatization may be 'public' in name, but not necessarily in character, raising questions about the substance and nature of state ownership of essential services, and how it differs from the marketization objectives of more direct forms of private sector participation.

Not all corporatizations have been carried out with this commercial imperative in mind, however. The analogous administrative structure of corporatized entities belies more diverse material and philosophical undercurrents, from proto-privatization to distributive welfarism to contemporary models of socialism, some of which have been remarkably progressive. In this regard corporatization is little more than an empty institutional vessel into which very different ideological fluids can be poured.

One of the objectives of this book is to better understand the ideological diversities of corporatization, and what might make for

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a more progressive and equity-oriented form of public service delivery. Our focus is on water and electricity services in countries in the South, but the lessons have broader geographic and sectoral relevance and will hopefully contribute to a wider discussion of this important international trend. The book is also an attempt to deepen the empirical record on corporatization in Africa, Asia and Latin America. Comparatively little critical literature on the topic exists in these regions, and what has been undertaken tends to be inconsistent in its conceptual and methodological underpinnings, making it difficult to compare findings across place and sector.

The timing of the research is also significant given that corporatized entities are expanding throughout the South, at all levels of government, and across sectors. It is most prevalent in market economies (the focus of this book) but contemporary socialist states such as Cuba and Venezuela have created stand-alone public enterprises as well (Alvarez 2006; Benzing 2005; Bremmer 2009; Chavez and Goldfrank 2004). China is arguably the most active on the corporatization front, converting thousands of its state-owned enterprises into arm's-length agencies (Aivazian et al. 2005; Ocko and Campo 1994; Ramesh and Araral 2010), although for logistical reasons the experience of corporatization in that country was not included in our empirical study.

We are also interested in corporatization because it is seen by many as an 'alternative to privatization'. This is particularly true in countries in the South where private sector investment in essential services has not materialized as expected, and where resistance to privatization has been strong (Hall et al. 2005; Mansfield 2007; Spronk 2007). Private sector participation in services in Africa, Asia and Latin America has not disappeared, but governments and policy advisers such as the World Bank have become less bullish about the potential for private sector management and investment in core services, especially in lower-income countries where the investment risks are high (Bakker 2007; Bayliss 2002; Roland 2008). As Ramesh and Araral (2010: 1) note: 'States are back, hesitatingly, even unwillingly, and it is widely accepted that they have no option but to rescue the market from itself.'

Corporatization has not been the only response to this market failure but it is widespread and could become the dominant form of service delivery in countries in the South in the near future,

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if it is not already. Corporatized entities currently 'make up the bulk of the public sphere in many Western European countries', making it essential to better understand 'the governance of this increasingly important class of hybrid organizations' (Kickert 2001: 135; see also Bach et al. 2012; Dan et al. 2012; Florio 2013; Pollitt and Talbot 2004).

Teasing out what is local and what is global in this trend is another important challenge. There is much that is universal about corporatization – particularly its neoliberal variant – but differing social, political and economic contexts can result in diverse operational realities. There is no singular form of corporatization and no simple mode of analysis for explaining how it works (or not). What counts as a success or failure in one place or sector may be seen very differently in another. This is not to abandon any notion of shared norms or objectives, but simply to acknowledge the complexity and ambiguity around corporatization in practice. More than any other public service model, corporatization raises conflicting and complex questions about the meaning of 'public' and the nature of the state in the delivery of essential services in countries of the South.

State of the debate

Central to our inquiry is the question of whether corporatization should be seen as a progressive form of public service delivery or, by contrast, as a precursor to deeper forms of commercialization. The literature is divided on this question. Writings in favour of corporatization tend to celebrate market-based management as an effective way to depoliticize public services and improve efficiency through marketization (Hood 1991; OECD 2005; Osborne and Gaebler 1992; Preker and Harding 2003; Shirley 1999). Those opposed tend to see corporatization as the proverbial wolf in sheep's clothing, offering a façade of public ownership while propagating market ideology and advancing corporate accumulation; a form of privatization without the political and financial risks associated with direct private sector participation (Blum and Ullman 2012; Gentle 2009; Magdahl 2012; Van Rooyen and Hall 2007).

Much of the debate has focused on countries in the North, but the literature on corporatization in the South is equally bifurcated. The World Bank is arguably the most prolific and influential pro-corporatization advocate in this regard, offering up textbook rationales for why it should be done, along with pecuniary incentives for corporatized reforms throughout Africa, Asia and Latin America (Andres et al. 2011; Kessides 2012; Marin et al. 2010; Preker and Harding 2003; Shirley 1999; World Bank 2006).

Opponents, meanwhile, point to the especially pernicious effects of corporatization in low-income countries, where publicly owned service providers can prove to be even more commercially oriented than their private sector counterparts, cutting off services to poor households, building multi-tiered service systems, aggressively pursuing private sector contracts outside their home country, and valorizing new moral codes of conduct around the 'responsibility to pay' for market-oriented services (Blum and Ullman 2012; Gentle 2009; Magdahl 2012; Van Rooyen and Hall 2007). These experiences have persuaded many that corporatization is little more than a ruse for commercializing service delivery in the South while deceiving people into thinking that the crisis of privatization has been averted.

And yet, research also reveals positive examples of corporatized service providers in the South where equity, accountability, sustainability and other progressive indicators of 'publicness' are taken seriously, suggesting that not every corporatization is created equal. Preliminary investigations for the case studies in this book, for example, found corporatized utilities that appeared to have bucked the neoliberal trend to varying degrees, openly resisting marketized forms of public management. The selected cases are not the only such examples in the world today, but they offer detailed, comparative insights into how and why some corporatized utilities in countries of the South have managed to retain an equity-oriented, and less commercialized, public ethos.

In this regard, the cases in this book demonstrate the need to move beyond the dualistic opposition that plagues much of the debate on contemporary public sector reform, labelling models as *either* 'empowering the public' *or* 'just another means of strengthening neoliberal rule'. Following Newman and Clarke (2009: 132), we attempt to offer a more nuanced reading of what is actually happening on the ground, 'suggesting a number of ways in which publicness is being disassembled and reassembled'.

Having said that, we cannot ignore the ongoing – and shape-shifting – influence of the market, particularly in countries of the

South where the power of international financial institutions and multinational corporations remains disproportionately strong in policy-making circles. The ability of local politicians, workers, community organizations and other anti-commodification groups to resist neoliberal reforms exists – and is remarkably strong in some places – but even the most robust examples of progressive corporatization in this book reveal just how fragile these alternative ideologies and practices can be, haunted by forces of marketization from within and without. Theorizing these neoliberal pressures, without abandoning context and agency, is critical to understanding the potentials and limitations of corporatization on the ground.

Added impetus for our research came from the need for more explicit and consistent research methodologies on corporatization in the South. Pro-corporatization literature tends to rely on a narrow set of financially oriented performance criteria that pay little attention to questions of equity and affordability. Anti-corporatization research tends to be critical of these restrictive financial criteria but does not always specify what the alternatives might look like or how they might be evaluated. We do not claim to resolve these methodological challenges here, but our case studies do benefit from a more explicit set of analytical tools than have been employed in the comparative critical research on corporatization to date (more on this below).

Corporatization in historical perspective

In some respects, the concept and practice of corporatization are as old as the state itself. The Achaemenid Empire of Persia, for example, was dominated by state enterprises with some autonomy from political rulers, run as 'professional' entities and renowned for their 'efficiencies' (Farazmand 1996: 2–3). Similar patterns can be seen in other ancient and medieval regimes, with varying degrees of success. Sweden began to 'structurally disaggregate the provision and production of public services' as early as the seventeenth century, for example, and has employed modified versions of this arrangement ever since (Moynihan 2006: 1034).

So too did the Soviets experiment with the corporatization model, creating some 750,000 arm's-length public enterprises while in power. Communist China has established more than one million. Many of these entities have since been sold or outsourced but some of the largest and most strategic remain as stand-alone public agencies in both countries (Farazmand 1996; Painter and Mok 2010). Widespread experiments in 'municipal socialism' from the late 1800s to the 1940s in Europe and the United States also saw extensive corporatization, as local authorities took over fragmented private services and/or created new public utilities as autonomous corporations. Everything from gas works to restaurants to hospitals was run as a corporatized public entity (Booth 1985; Graicer 1989; Radford 2003).

Even fascist states employed the corporatization model. In Italy, Mussolini created the Istituto per la Ricostruzione Industriale (Institute for Industrial Reconstruction), which, 'as of the late 1930s … led to the Italian state owning a bigger share in the economy than in any other country except the USSR' (Baker 2006: 229). Hitler undertook similar initiatives in Germany, building an expanded range of new state-run public services intended to improve 'the folk' and boost public welfare (at least for those deemed sufficiently 'Germanic'). The state was argued to be the best institution to oversee the moral obligations of public service, regarded as essential to the generation and protection of a disciplined and good society (although the Nazis were then among the first to privatize such public entities, starting in the late 1930s) (Bel 2009; Guérin 1938; Schweitzer 1946).

In other words, the creation of arm's-length, state-owned entities is neither historically specific nor ideologically predetermined, with the rationale for public enterprises having differed dramatically across place and time. The one common feature is their quasi-independent cadre of professional bureaucrats tasked with managing a delineated set of activities, buffered to some degree from direct political intervention. Whether the aim is to sustain a monarchial elite, advance a racist agenda, build a socialist society, or promote market ideologies, the creation of arm's-length public enterprises can lend itself to radically different political objectives.

Even within market economies there are differing motives at play. As noted earlier, some policy-makers see corporatization as a first step towards privatization. Some see it as an opportunity to commercialize services without the political and economic risks of direct private sector participation. Others are committed to Keynesian forms of welfarism, while others still see corporatization as a form of state capitalism.

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The cases in this book are illustrative of these eclectic market rationales and motivations. The creation of the Instituto Costarricense de Electricidad (the electricity utility in Costa Rica) in 1949 grew out of the import-substitution model popular in Latin America at the time, and has reformed along with the social democratic policies of the Costa Rican state. Tunisia's electricity provider – Société Tunisienne de l'Électricité et du Gaz – was a product of post-independence nationalization, followed by tight public management under the authoritarian regime of Zine El Abidine Ben Ali; it is now grappling with the rapid changes of the so-called Arab Spring. In Malaysia, the Tenaga Nasional Berhad dates back to the creation of the Central Electricity Board (CEB) by British colonial managers, also in 1949, and is part and parcel of a post-war economic recovery effort to counter communist insurgency in rural areas, modified again in the 1980s and 1990s in response to changing post-independence politics.

In the water sector, our case studies include Obras Sanitarias del Estado, which was transferred to the Uruguayan government from a private British firm in 1952 in partial payment of Britain's debts following the Second World War, and has survived dictatorships, neoliberal governments and the current left-wing coalition. In the Philippines the corporate nature of water services was established in 1955 with the passage of the Republic Act, creating the National Waterworks and Sewerage Authority, which later gave way to a more decentralized system exemplified by the Leyte Metro Water District. And finally, the Office National de l'Eau et de l'Assainissement emerged as a corporatized water service provider in Burkina Faso with the nationalization of a private company in 1977, and is now influenced strongly by the World Bank and other international donors.

In the face of such diversity it makes little sense to speak of 'corporatization' as a single model in market economies in the South: 1940s Costa Rica bears little resemblance to 1990s Malaysia or to contemporary Burkina Faso. A simplistic rubric also conceals the multiple ways in which policy-makers, managers and employees of corporatized entities transcend grand narratives of public sector reform, and disregards the varied behaviours within 'actually existing' corporatizations.

In this regard, the book highlights the heterogeneity of corporat-

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ized entities in the global South, and offers concrete examples of the potential for a public ethos that goes beyond the narrow confines of new public management (for similar accounts in Europe, see Lobina and Hall, this volume). The case studies document how public servants can escape the logic of commodification (to varying degrees) and how public ownership and management can be used as a platform to leverage relatively equitable and effective service delivery in a global market economy.

And yet, the book also tells a cautionary tale. In each of the case studies powerful neoliberal forces percolate near the surface, threatening to undermine progressive gains in service delivery. Despite claims that new public management has run its course, or that neoliberalism more generally is on the wane, corporatization remains heavily influenced by both. Recognizing and theorizing this impact are essential to understanding the limits and opportunities of public ownership in a marketized global economy.

Equally important is the need to pay attention to problems with 'traditional' forms of service delivery. Our case studies also reveal patterns of top-down, paternalistic forms of welfarism with little in the way of public engagement. This is not to reject these models outright, but we must not wax nostalgic about Keynesian-era public management systems that have at times been exclusionary, opaque and blindly productivist in their orientation (Esping-Anderson 1990; Newman and Clarke 2009).

Neoliberal corporatization

The diversity of corporatization notwithstanding, it is useful to outline the contours of what I argue to be the most dominant form of public enterprise today, that of the neoliberal corporatized utility. As with any typology, the intent is not to suggest that there is a single, inescapable neoliberal model of public ownership, but rather to highlight general characteristics and trends to better understand the larger political, economic and ideological context in which corporatization is taking place.

A useful starting point is the debate over the merits of new public management (NPM) as an analytical concept. Despite widespread use of the term, some have argued that NPM is too broad and ambiguous to be of theoretical use. Hughes (2008: 3, 6), for instance, calls it a 'mythology', arguing that the concept exists only 'in the

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eyes of critics', suggesting it 'has no theorist, no doctrine, no agenda and no program. Its only utility has been as a punching bag for public administration academics antithetical to the idea of public management reform … used more to scare than as something that is real or can be analyzed … [B]etter not to use the term at all.'

Hughes goes on to argue that there are no paradigmatic examples of NPM, and that it has not penetrated as deeply or as smoothly into public sector thinking and practice as some of its critics suggest. The cases in this book attest to this, as do studies in other parts of the world, making it clear that 'ideal type' NPM does not exist in practice (Nor-Aziah and Scapens 2007; Pollitt 2006).

Pollitt and Bouckaert (2011: 11, 14–15) agree, calling NPM 'something of a mirage'. For them, NPM has run its course, with the most recent public trend being that of 'modernizers' – such as Finland, France, Italy, the Netherlands and Sweden – which 'place greater emphasis on the state as *the* irreproducible integrative force in society, with a legal personality and operative value system that cannot be reduced to the private sector discourse of efficiency, competitiveness and consumer satisfaction … a distinctive public service' (ibid.: 98–100, emphasis in the original). Countries that still practise new public management (a largely Anglo-American cluster that includes the UK, the USA, Australia, Canada and New Zealand) are portrayed as being stuck in the past, continuing to 'see a large role for private sector forms and techniques in the process of restructuring the public sector'.

While it may be true that 'core' NPM has faded in popularity, new forms of public administration are not that different at heart, with neoliberalism casting a much longer shadow than these authors suggest. Much of what Pollitt and Bouckaert refer to as 'modernizing' would be better characterized as revised forms of NPM: a softer, less aggressive form of commercialization that grants a stronger role for the state than was being called for in the 1980s and 1990s, but one that does little to alter mainstream public administration's commitment to commoditization and its faith in the market. The hyper-commercialized NPM of Margaret Thatcher's era may have lost its supremacy, but to suggest that its central ideals about market efficiency no longer dominate public management discourse and ideology is simply incorrect.

As with neoliberalism more generally (Aalbers 2013; Harvey 2005;

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Peck 2010), NPM has undergone significant change, morphing over the years to respond to its own internal contradictions and limitations. As certain features of NPM have become difficult to sustain in the face of resistance or failure (e.g. outright privatization, full cost recovery, drastic cutbacks in spending), modifications have been made on these themes (e.g. in the form of public–private partnerships, pre-paid meters, 'self-help' programmes). It is exactly this shifting nature of NPM which is one of its defining characteristics, with modified language and modes of practice emerging in response to crises, as variations on the original leitmotif. The NPM leopard may have changed its spots, but the underlying objectives of marketized public ownership remain strong in governments around the world today.

A review of what Pollitt (2002: 474) has characterized as the most commonly accepted features of NPM reveals just how little has actually changed: a shift in management systems away from 'inputs and processes' towards results-based management; a continuing trend of performance measurements that prioritize market-based indicators and standards; a 'preference for more specialized, "lean", "flat" and autonomous organizational forms rather than large, multi-purpose, hierarchical bureaucracies'; and a 'widespread substitution of contract or contract-like relationships for hierarchical relationships' resulting in the 'use of market or market-like mechanisms for the delivery of public services'. Despite Pollitt's assertions that governments have moved on, these features remain strongly embedded in public management, resulting in an ongoing trend towards what he feared most: 'a broadening and blurring of the "frontier" between the public and private sectors' and a 'shift in value priorities away from universalism, equity, security and resilience towards efficiency and individualism' (ibid.: 474).

As a result, renewed interest in 'the state' obscures as much as it reveals. If public agencies are no longer ridiculed by pro-market advocates it is because they are increasingly seen as the preferred vehicle for private capital accumulation, enhancing the institutional and infrastructural frameworks for market growth in ways that privatization could not. Neoliberalism today draws as much on John Maynard Keynes as it did on Milton Friedman, looking to the state as an essential moderator of market cyclicality and a broker of ideological reform, making the current vogue for government intervention as predictable as its inevitable shift back to a more laissez-faire discourse once markets have been restabilized and capital accumulation patterns restored (Aalbers 2013; Crouch 2009, 2011).

In this respect, it could be said that 'We are all neoliberals now' (Harvey 2005: 13), a play on former US president Richard Nixon's quip, in the 1960s, that 'We are all Keynesians now.'[1] So hegemonic have the language and practice of neoliberalism become that it is virtually impossible to find governments or government agencies that do not embrace its principles. Public hospitals and universities promote their 'brand'. Cities speak of being 'entrepreneurial'. Countries write legislation that refers to 'customers' instead of citizens. The ethos and evaluation of public service have altered so dramatically over the past thirty years that it is hard to remember what a less marketized form of public service delivery looked and sounded like, let alone bring it back (Newman and Clarke 2009).

Contemporary Sweden illustrates the point, with no less a pro-market voice than *The Economist* (2013: 5) touting it as the 'next supermodel' of public sector governance, noting, as a case in point, that 'the Swedes have done more than anyone else in the world to embrace Milton Friedman's idea of educational vouchers' while at the same time the country appears statist in its orientation. Francis Fukuyama (2011), another market stalwart, speaks enthusiastically of 'getting to Denmark', by way of illustrating what he sees as the need for a strong and engaged state to be competitive in today's global economy; this is a significant discursive shift from his previous triumphalist language about state failure and the superiority of market forces. But the fact that these same voices continue to argue for a larger suite of neoliberal policies – such as liberalization, deregulation, export orientation and inflation targeting – suggests that it is more a case of *neo-neoliberalism* than one of *post-neoliberalism*, serving to strengthen and broaden neoliberalism's grip on a wide spectrum of policy actors (Saad Filho and Johnston 2004).

This is not to say that it is impossible to escape these world views; quite the opposite. It is inevitable that the neoliberal practices and narratives of new public management will be challenged. As the limits and contradictions of market reforms reveal themselves, alternative forces emerge to resist their inequities. We can therefore acknowledge that 'the imperative towards opening up public services

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to markets and market-like principles remains strong', while at the same time insisting that 'wherever markets are being made, there are other voices and other discourses that challenge the appropriateness of market relations – questioning their subjection to profit rather than need, pointing to the risks of corruption and collusion, demanding that values other than market value are relevant, or insisting on the superiority of morals, ethos and solidarity to individualism and self-interest' (Newman and Clarke 2009: 75–6).

These voices are the *counter-publics* that emerge from the contradictory spaces of neoliberal corporatization (Olesen 2010), where the logic of commodification has run amok, and where unions, community groups and (sometimes) bureaucrats are pushing back. In post-apartheid South Africa, for example, corporatized institutions such as Eskom (electricity) and Rand Water have proved themselves to be hyper-commercial entities, cutting off services to millions of low-income households for relatively minor payment infractions, introducing pre-paid meters that limit access to services, and outsourcing tasks to private firms. These agencies have been the target of sustained protest by community groups demanding a different form of public service (Alexander 2010), but their ambiguous 'public' status has confused and divided opposition among South Africans otherwise opposed to privatization (see Chapter 9 in this volume for a more detailed discussion).

Being alert to these tensions within new public management is important. No two cases of neoliberal corporatization will look exactly the same, and no two patterns of resistance will be identical, but there are powerful common features of market-based forms of agencification that will make the creation of equitable and sustainable corporatized service delivery difficult in a global market economy. Three trends deserve particular attention.

Commoditization The emphasis on monetary performance in neoliberal corporatization has had particularly corrosive effects on the publicness of services. The trend towards performance-based salaries for senior managers and other narrow pecuniary incentives often leads to a change in management ethos, with a focus on short-term financial bottom lines, creating publicly owned and operated entities that behave like private companies, mimicking business discourse and practices and establishing systems of competition that can serve

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to 'hollow out' the state (Dunsire 1999; Stoker 1989; Taylor-Gooby 2000). The outcomes can be a heightened sense of commercialization, multi-tiered services that rely on 'responsibility to pay' (rather than ability to pay), and a service agency that caters to the demands of an increasingly fleet-footed global elite.

Like converts to a religion, corporatized managers can adopt overly zealous market-oriented styles, languages and techniques, often pushing through policies and actions that private companies would dare not implement (such as widespread water cut-offs to low-income families). Sometimes this behaviour is adopted to impress superiors. Occasionally it is done to protect jobs from outsourcing or privatization. Increasingly it is because managers believe in these market-based incentives (owing in no small part to the slick training programmes offered by neoliberal organizations such as the World Bank). Whatever the cause, the outcome has been a growing emphasis on raising revenue through cost-reflexive pricing and reducing expenses via outsourcing and other discreet forms of cost-cutting.

The political effect on service users can be just as dramatic. Consumers are increasingly seen (and come to see themselves) as 'customers' instead of 'citizens', with services seen as commodities to be bought and sold like any other product on the market, dissociated from broader public goods and concealing the complex social and labour arrangements behind their exchange price (Clarke et al. 2007). An illustration of this last point is the contentious debates over cost-reflexive pricing. Market-oriented public managers often argue that the only way to truly 'appreciate' a service is to pay its full price. To illustrate with the case of South Africa once again, post-apartheid policy-makers and bureaucrats have used the public status of service providers such as Eskom and Rand Water as a bully pulpit of sorts, haranguing low-income households about their 'moral responsibility' to pay for services, despite the fact that prices for water and electricity are highly skewed in favour of industry and high-income households and service quality remains poor in most low-income areas. No less a moral authority than Nelson Mandela has been used to rebuke these households for a so-called 'culture of non-payment', blaming them for thwarting efforts to roll services out to a broader number of 'customers'.[2] This 'Mandela factor' may be unique to post-apartheid South Africa

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but it serves to illustrate the deep penetration of commodified thinking around essential services such as water and electricity in 'public' service agencies.

Myopia By definition, all forms of corporatization create silos of activity, but this trend is exacerbated under neoliberalism with its emphasis on narrow financial performance criteria. Under 'traditional', aggregated forms of welfarist public administration, infrastructure projects were typically brought together under horizontally organized public service departments. With the advent of neoliberal marketization, they have been legally and physically separated from one another, told not to 'waste' resources on other departments, contributing to a blinkered and myopic approach to service planning. Water and sanitation personnel, for example, often make decisions about long-term infrastructure investments in their own units, independent of planning decisions in public health or waste management. As a result, corporatized entities can operate in splendid isolation from one another, even when they may share the same building and equipment, and service the same jurisdictions.

The same myopia can apply to workers. Forced to operate in vertically oriented administrative structures, front-line staff toil in isolation, sometimes in separate unions, making worker coordination and solidarity across public services difficult (which can, of course, be a neoliberal strategy in and of itself). These managerial and accounting systems are intended to reveal the 'real' costs of running a service, allowing managers to identify areas of financial loss or gain otherwise hidden in the intricate accounting systems and cross-subsidization mechanisms of a more centralized production and distribution system. In this process, ring-fencing can deny synergistic gains that may be had from collective planning (Bollier 2003; Whincop 2003).

Cross-subsidization across sectors also becomes difficult in this context. Where revenues from one service may have supported non-revenue-generating services such as libraries or primary healthcare, managers are now disinclined to share resources, and elected officials may no longer have the power to demand their transfer. Corporatized entities become fiefdoms, with protective barriers erected in the name of autonomy. Competition within and across service units becomes valorized, typically requiring deregulation of monopolistic state control and allowing multiple service providers to compete for sub-contracts based on price.

Productivism Neoliberal corporatization can also result in a fixation on growth. An expansion of water and electricity is imperative in many places, of course, but the fetishization of growth distracts us from the challenges of over-consumption, not to mention the wildly unequal distribution of services in Africa, Asia and Latin America. Corporatized service agencies are inclined to behave like any other private firm in this regard, promoting service expansion in industrial and wealthy neighbourhoods in the hopes that revenues will trickle down to finance service delivery in lower-income areas, contributing to the development of mass consumption economies.

Large-scale, high-tech networked infrastructures are key to this expansionist mentality, with market-oriented, cost–benefit environmental analyses employed to justify the advantages of creating a larger service pie rather than dividing up or reorienting the existing one. In this respect, corporatized services are part of a capitalist machinery geared towards 'creating new infrastructure for market-oriented economic growth' (Brenner and Theodore 2002: 362).

A progressive future?

But enough of the negatives. As much as this book is a cautionary tale about neoliberal corporatization, it is also an attempt to understand how and why some corporatized entities have managed to provide relatively progressive public services while others have not. None of our case studies has escaped the clutches of new public management entirely, but they offer concrete evidence of the potential for arm's-length public entities to prioritize objectives other than cost recovery and commodification.

In the case of ICE (the electricity utility in Costa Rica) the commitment to public service has a long history, embedded in the social democratic nature of the Costa Rican state. For decades, ICE has been one of the most efficiently run companies in all of Latin America, public or private. The specific characteristics and historical evolution of the *modelo solidario* (solidarity model) are key to understanding the scope and prospects of this particular form of corporatization. ICE has occupied an important place historically in the configuration of national social identity, and has been shaped

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by specific political, social and economic conditions. Costa Rican citizens are aware of the state's contributions to national development, and have broadly resisted previous attempts to privatize public enterprises. ICE, in particular, is perceived as an essential driver of social and economic progress, and has been at the centre of some of the most important social mobilizations of the past.

Our other Latin American case study comes from Uruguay. Obras Sanitarias del Estado (OSE) has been providing high-quality, affordable, nearly universal water services to the country's population for more than sixty years. OSE has achieved one of the highest coverage rates for water and sanitation in the region, and Uruguayans consider it a point of national pride that it was the only country on the continent not to be affected by the cholera epidemic in the late 1990s. OSE's unionized workforce is also involved in decision-making to some degree, and the company is considered to be run effectively, transparently and efficiently for the most part.

Our case studies from Asia and Africa are not quite as encouraging but still cut against the grain of powerful neoliberal trends. In Malaysia, we examined the state-owned and -operated electricity provider Tenaga Nasional Berhad (TNB), which, like many Asian electricity utilities, was consolidated under state control after the Second World War. TNB has introduced some private sector participation, but has managed to resist much of the neoliberal pressure for unbundling and commercialization that have altered electricity utilities elsewhere on the continent. For TNB, public objectives have remained at the forefront of decision-making, with a strong central government making important investments in long-term service expansion *and* equity. Access is improving and service quality is generally good.

In the Philippines we looked at the Leyte Metro Water District (LMWD), which has benefited from a national effort to create more institutionally coherent water systems. LMWD has created partnerships with other public service providers and actively shares resources and knowledge within the public sector. It has taken environmental sustainability and watershed management seriously, and to some extent issues of equity as well, seeing water as an essential service for poverty reduction in the region.

North Africa provides a different sort of corporatization history, as evidenced in our study of Tunisia's state-owned electricity provider, which benefited from massive investments by the autocratic regime of Zine El Abidine Ben Ali, but suffered from corruption and a lack of transparency. The provider is now grappling with pressures to democratize its governance structures. Nevertheless, a commitment to state service provision still pervades the public sector and has contributed to widespread electricity coverage and considerable capacity.

Sub-Saharan Africa, on the other hand, has generally not had the same levels of investment in human resource development or infrastructure to create strong public service providers. The fact that most sub-Saharan African states remain beholden to international financial institutions such as the World Bank makes it even more difficult to break out of the neoliberal mould. And yet, even in one of the poorest and driest countries in the world – Burkina Faso – we see a corporatized water service provider that has fought off privatization and is managed by (some) senior staff working to maintain a strong public ethos in its service provision.

These are not the only, or even necessarily the best, pro-public corporatized entities in the global South today, but they demonstrate the potential for non-neoliberal corporatization. Learning from their strengths (and weaknesses) will hopefully help better understand the possibilities for progressive corporatizations in the future, and the mistakes of the past.

Research methods

What constitutes the rest of this chapter is a review of the methodologies employed in our evaluation of each case. For if we are to claim that public enterprises can be more 'progressive' than typical market-based corporatization suggests, it is essential to have a research method that allows for transparent and comparative study across different places and sectors.

The cases in this book were drawn from a previous study of 'alternatives to privatization' in the water, electricity and health sectors in Africa, Asia and Latin America (McDonald and Ruiters 2012b). What follows is a summary of the research methods employed in that investigation, updated and modified to accommodate the specificities of corporatization.

Our starting point was to have case studies from all three continents to give the book as broad a comparative reference as possible,

TABLE 1.1 List of case studies

Water sector	Electricity sector
Leyte Metro Water District (LMWD) – Philippines	Instituto Costarricense de Electricidad (ICE) – Costa Rica
Obras Sanitarias del Estado (OSE) – Uruguay	Société Tunisienne de l'Électricité et du Gaz (STEG) – Tunisia
Office National de l'Eau et de l'Assainissement (ONEA) – Burkina Faso	Tenaga Nasional Berhad (TNB) – Malaysia

with candidates selected from the most promising examples of 'progressive' forms of corporatization found in our initial mapping exercise (see Table 1.1). Not surprisingly, the largest number of potential candidates was found in Latin America, where the establishment of autonomous, municipal service providers was part of the expansion of the developmentalist state in the early and middle decades of the twentieth century, and where there has been a concerted and extensive period of experimentation with 'post-neoliberal' public policy over the past ten to fifteen years with New Left governments (Cameron and Hershberg 2010; Chavez and Goldfrank 2004; Weyland et al. 2010).

As noted above, progressive examples of corporatization from Africa and Asia were less easy to identify, with sub-Saharan Africa being the most desolate in this regard, as illustrated by the compromised example of Burkina Faso in this volume (see also Bayliss and Fine 2007; McDonald 2009; Pigeon 2012). Nevertheless, these regions remain heavily embroiled in anti-privatization struggles and debates, with a growing interest in and awareness of the possibilities of pro-public service options.

In terms of sectors, the case studies were limited to water and electricity provision, in part because these services lend themselves relatively easily to corporatized ring-fencing (owing to their status as 'natural monopolies' with clear revenue and expense streams), and in part because they are essential services that have been flashpoints for debates about corporatization and privatization in the past. As a result there are sector-specific outcomes that are unique to water and electricity, but it is hoped that the findings will be of relevance

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to readers interested in similar trends in other sectors as well, such as healthcare, education, telecommunications and transport.

Researchers for the case studies were drawn from a network of scholars and activists working on public service reforms, in association with the Municipal Services Project, many of whom were involved in the initial mapping exercise.[3] Research teams were given the same terms of reference, including being asked for a history of the corporatized entity, a review of its performance, a discussion of the extent to which the utility can be considered a 'progressive' model of corporatization and whether the experience is transferable to other places and sectors.

Fieldwork involved a review of primary and secondary literatures and government documentation, as well as interviews with policy-makers, managers, labour unions, community associations, NGOs, donors, politicians and social movements. All researchers had previous experience in the country or municipality in question and all had strong connections with stakeholders associated with the corporatized entity, ensuring broad and representative access to documentation and interviewees.

Another important feature of the research was the normative framework used to evaluate utility performance. In contrast to the narrow financial and statistical data used for studies of corporatization by neoliberal organizations such as the World Bank, we employed a broader set of qualitative and quantitative benchmarks, all of which had been used in our previous work (for an extended discussion, see McDonald and Ruiters 2012c). The objective was to establish a general set of universal principles against which to evaluate the performance of a given corporatized service unit, while still allowing for contextual difference.

The criteria selected will come as little surprise to those familiar with the debates about privatization and corporatization. Many are simply a revision of neoliberal evaluative criteria, extrapolating out from narrow tropes of cost–benefit accounting in an effort to better assess principles such as transparency, social efficiency and affordability. We also employed criteria unique to public services, such as 'public ethos' and 'solidarity', and have opted for criteria (such as equity) with sufficient elasticity of meaning to allow for variations in interpretation. The aim has been to challenge or rule out narrow neoliberal interpretations of success, such as highly marketized

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notions of efficiency, which can limit discussions of performance to contracted financial indicators and exclude important qualitative factors such as discrimination and dignity (Spronk 2010).

These normative criteria are summarized in Table 1.2. Not every measure was examined in depth, and not all were examined in every case, but interviews and literature analyses were informed by the same basic measuring sticks, allowing for a relatively comprehensive and transparent set of data for comparative use across the case studies.

Importantly, we were not looking for 'perfect' examples of corporatization. No single service provider can realistically meet all of the normative criteria outlined here, and what may be deemed important in one place at one time (e.g. community participation, access to information) may be less important in another. In other words, there are no singular forms of measurement, and no simple blueprints for success.

Neoliberals, by contrast, adopt a very different methodological approach to evaluating public services, arguing that all human behaviour is ultimately based on self-interest that responds to signals from the market. There may be variations in the way people produce and consume a service, but self-maximization is seen to be central to all human behaviour, with concepts of marginal utility serving as a universal indicator, explaining everything from 'willingness to pay' to the creation of 'entrepreneurial spirit' (Becker 1992; Dasgupta et al. 2009; for a critique, see Fine 2001). Using this rationale, neoliberal researchers see selfish conduct behind every action, allowing them to argue that market signals are the only way to accurately measure service satisfaction.

At the other extreme, post-structural analysts reject any notion of universal norms, seeing them as 'erroneous patterns of Enlightenment thought, incapable of adaption to a world of incommunicability and irreconcilable cultural difference' (Harvey 2000: 86). Social perceptions of water and localized forms of energy production are argued to be too dissimilar from place to place to allow for consistent forms of assessment, or reproducibility, making it impossible to employ any notion of universal evaluation.

Our aim, by contrast, has been to try to build a dialectical bridge between the universal and the particular, employing broad global objectives (such as equity and accountability) that still allow for

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TABLE 1.2 Criteria used to evaluate corporatization

Equity	Is availability of the service equitable for different social groups? Are the quality and quantity of the service equitable? Are prices equitable? Is equity formalized, legalized or institutionalized in some way?
Participation in decision-making	Are the depth and scope of participation adequate? Is participation equitable? Is participation formalized, legalized or institutionalized in some way? Is the model of participation sustainable?
Efficiency	Is the service delivered in a financially efficient manner? Are adequate investments being made in long-term maintenance? Do efficiency gains undermine other potentially positive outcomes? Do efficiency gains take into account other services and/or levels of government?
Quality of service	Is the overall quality of the service good? Is quality improving?
Accountability	Are service providers accountable to end users? Is accountability formalized, legalized or institutionalized in some way?
Transparency	Does the general public understand the operating mandates of the service provider? Are decisions about service delivery regularly communicated to the public? Is transparency formalized, legalized or institutionalized in some way?

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Quality of the workplace	Do front-line workers participate in the policy-making of the service? Are workers paid a fair salary and benefits? Are there adequate numbers of workers to ensure quality, safety, sustainability? Are there good relations between front-line workers, managers and end users of the service? Is there equity among workers?
Sustainability	Are there sufficient financial resources available to ensure successful continuity of the service? Is there sufficient political support for the service entity at different levels of government? Is the service using natural resources in a sustainable way?
Solidarity	Does the service help build solidarity between workers, community, bureaucrats, politicians, NGOs, end users? Does the service help to build solidarity between different service sectors? Does the service help to build solidarity with other levels of state?
Public ethos	Does the model help to create/build a stronger ‘public ethos’ around service delivery? Does the model promote thinking and dialogue about concepts of public ownership and control? Does the service model explicitly oppose privatization and commercialization?

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difference, recognizing that expansive generalizations are fraught with cultural and political tensions (see ibid.: 83–93, 246–55). Our normative criteria are therefore intended as a reference point for research, not as a fixed anchor. The aim has been to allow for context-based evaluations that acknowledge local norms but do not fetishize difference. The spiritual importance of water may be different from place to place, for example, but the goal of fair, equitable and affordable access to water for everyone should be seen as non-negotiable, forcing open a debate about the different mechanisms by which these goals can be achieved and the extent to which they can be considered 'successful'.

With this in mind we can better compare the pros and cons of experiences with corporatization in places as diverse as Uruguay, Tunisia or Malaysia, and we can see the varied circumstances that have allowed some corporatized service entities to become relatively progressive while others have been captured by market logics. We can also see why good corporatization experiences are not as easily transferable as organizations such as the World Bank would like us to believe, and why the neoliberal template, as powerful as it is, can never fully shape human behaviour.

In the end, there are no magic bullets for progressive corporatized services. Networked infrastructures such as water and electricity are extremely complex and capital intensive, impacting the built and natural environments for decades (if not centuries), with rapidly increasing demand and shifting technologies of production. Figuring out what works in one place at one time requires research flexibility.

Finally, the book includes an analysis of corporatization in the European Union (EU). More a survey than a case study, the chapter by Lobina and Hall provides useful comparisons of the diverse and long-standing history of corporatization in the EU, outlining 'strong' and 'weak' forms of corporatization, and comparing these to the experiences of the case studies from Africa, Asia and Latin America. Even here, in the birthplace of the welfare state, we see how difficult it can be to hold on to even a modicum of public ethos in public services, indicative of how difficult it is to resist neoliberal trends. But experience begets innovation, and it is in the EU that we see some of the most progressive and pioneering alternatives to privatization being developed today, with useful lessons for countries in the South.

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Notes

1 Nixon's phrase was actually taken from a quote by Milton Friedman in *Time* magazine on 31 December 1965 (content.time.com/time/magazine/article/0,9171,842353,00.html, accessed 5 July 2013). Friedman subsequently wrote a letter to the magazine arguing that his original statement had been: 'In one sense, we are all Keynesians now; in another, nobody is any longer a Keynesian' (content.time.com/time/magazine/article/0,9171,898916-2,00.html, accessed 5 July 2013).

2 An example is Mandela's speech at the launch of the government's Masakhane ('Let Us Build Together') campaign in 1995, when, despite widespread protests about the rising costs and poor quality of basic services, he stated that: 'We all have the responsibility to pay for what we use, or else the investment will dry up and the projects come to an end. We must ensure that we can, as a nation, provide for the millions still without the basic needs' (see Mandela 1995). Desmond Tutu made similar remarks in the 1990s, before beginning to challenge cost-recovery policies in the 2000s.

3 For more information, visit the Municipal Services Project website at: www.municipalservicesproject.org.

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