

PSIRU **Public Services International Research Unit** www.psiru.org
University of Greenwich
School of Computing and Mathematical Sciences
30 Park Row Greenwich London SE10 9LS UK
Email: psiru@psiru.org Fax: +44(0)181-852-6259 Tel: +44(0)181- 852-6371
Director: David Hall Researchers: Steve Davies, Emanuele Lobina, Kate Bayliss

PSIRU Reports

Report number: 9b-Privatizacion-David
holl-Water and Privatisation in Latin America 1999-9909-W-Latam.doc

<http://www.psiru.org/reports/9909-W-Latam.doc>

Water and Privatisation in Latin America, 1999

Author(s): David Hall

Date: September 1999

Commissioned by: Public Services International (PSI)

Funded: PSI

Presented at: PSI water conference, Santiago de Chile, September 1999

Published:

Notes:

© Unless otherwise stated, this report is the copyright of the PSIRU and the organisations which commissioned and/or financed it

The PSIRU was set up in 1998 to carry out empirical research into privatisation, public services, and globalisation. It is part of Greenwich University's School of Computing and Mathematics. PSIRU's research is centered around the maintenance of an extensive and regularly updated database of information on the economic, political, financial, social and technical experience with privatisations of public services worldwide.

This core database is financed by Public Services International (PSI), the worldwide confederation of public service trade unions.

Water and Privatisation in Latin America, 1999	1
1. Trends and issues.....	3
A. New privatisations	3
B. Political opposition	3
♦ Elections	3
♦ Political demarcation: who owns the water service?	3
♦ Opposition to hydroelectric companies	3
C. Labour disputes	3
D. Performance and prices	4
♦ Performance problems	4
♦ Renegotiation of contract.....	4
2. Investment and finance.....	5
A. Multinationals and finance.....	5
B. Credit ratings	5
C. International financial institutions	5
♦ Guarantees for private sector operations	5
D. Price rises	6
E. Finance – for public sector operations	6
3. Developments by country in Latin America.....	6
A. Argentina.....	6
♦ Buenos Aires province	6
♦ Misiones	7
♦ Mendoza	7
♦ Aguas Argentinas.....	7
♦ Tucuman.....	7
B. Bolivia.....	7
♦ La Paz.....	7
♦ Cochabamba	7
C. Brazil.....	7
D. Chile	8
E. Colombia.....	9
F. Cuba	9
G. Ecuador.....	9
H. Panama.....	9
I. Paraguay	10
J. Peru	10
K. Puerto Rico	10
L. Trinidad.....	10
M. Uruguay	10
4. Multinationals active in water in South America	11
A. Suez-Lyonnaise des Eaux (France).....	11
B. Vivendi (Generale des Eaux) (France)	11
C. SAUR (France).....	12
D. Aguas de Barcelona (Spain),	12
E. Other Spanish companies.....	12
F. Azurix (USA).....	13
G. Anglian Water.....	13
H. Other UK water companies	13
♦ Table : Empresas de aguas privadas en America Latina August 1999.....	15
NOTES.....	19

1. Trends and issues

A. New privatisations

There has been a 'second wave' of water privatisations in Latin America in 1999. This has happened despite a noticeably high level of political resistance to water privatisation, in many countries. However, there have also been more cases of successful campaigns to either reject or reverse water privatisations.

B. Political opposition

There has been strong political opposition in many cases of water privatisation.

- Panama
- Rio de Janeiro
- Paraguay
- Ecuador
- Chile
- Puerto Rico

In Panama and Rio this has led to the cancelling of privatisations; in Trinidad a privatised contract was not renewed.

◆ Elections

Elections may often be won by opponents of privatisation. In Argentina, at Tucuman, and Mexico, at Aguas Calientes, an election produced a change of local government and new demands were made on the privatised water company. Changes of government often produce such pressure, on the grounds that the previous government was too generous to the privatised companies. There are similar examples from India, Pakistan, Indonesia, and Poland.

◆ Political demarcation: who owns the water service?

There are often disputes between central, regional and local governments over who owns and controls the water and sewerage operations. These disputes have sometimes been important in delaying or halting privatisation: in Peru, for example, the city council of Lima successfully led opposition to the central state's attempt to privatise the water company., and in Rio de Janeiro legal uncertainty over ownership helped halt the proposed privatisation of water company Cedae in 1998.

◆ Opposition to hydroelectric companies

The position is complicated in Brazil and elsewhere by developments in the energy sector. Brazil's government also plans sales of hydroelectric companies (required by an agreement with the IMF in 1998 following the currency crisis), but these privatisations are also opposed in some areas because there are problems of drought and mistrust of private energy companies effectively controlling the rivers and the flows of water. ¹ There are now more general arguments against large hydro projects, in favour of smaller dams and other small energy projects. ² Argentina has recently cancelled three new hydroelectric projects.

C. Labour disputes

Trade unions have been involved in disputes strikes and demonstrations against privatisation in a number of countries in the last year. These include Paraguay, Ecuador, Chile, Brazil, Panama, Puerto Rico, and Trinidad. In Chile, there was a major dispute over

the terms of transfer in the privatisation of EMOS, which was reported to have been settled in August 1999. In Cartagena (Colombia) the privatised company, run by Aguas de Barcelona, dismissed many of the existing workforce, and especially selected active trade unionists

D. Performance and prices

◆ Performance problems

There have been performance problems with some contracts, including Vivendi's contracts in Tucuman (Argentina) and Puerto Rico, and poor results from the Severn Trent contract in Trinidad. The Tucuman and Trinidad contracts have now been terminated, and the operations are again being run by public authorities.

Privatised concessions have also failed to achieve their stated objectives elsewhere. In the case of Aguas Argentinas the regulator states simply: *"The main goals set at privatization have not been met, in terms of the raising of quality standards or in expansion of the system,"*³ Aguas Argentinas found that it was making losses when it made new connections, as required by the contract. The government revised the contract in November 1997 to allow it to increase prices.⁴ This was unpopular with consumers,⁵ and in March 1998 the high court ruled that the price increases were illegal, and the company said in that case it would cut investment in the water system.⁶

◆ Renegotiation of contract

Price rises are a common problem with privatisations, because price rises are invariably needed to cover the cost not only of investments but also of the companies' profits. Renegotiation of contracts have often happened as a result. In Argentina, all of the concessions won by Suez-lyonnaise have been renegotiated: Aguas Argentinas, Santa Fe and Cordoba.⁷ An official of Suez-Lyonnaise has described their contract as 'a living thing, with social relationships'.⁸ Another example is the sanitation concession at Puerto Vallarta, Mexico. In all cases the original contract was changed to allow the company to increase prices.

Table: Problems and rejections of privatised water

Country	Location	Company	Type of problem	Action
Argentina	Tucuman	Vivendi	Performance, cost , politics	Company dismissed 1997
Argentina	Santa Fe, Cordoba	Suez-Lyonnaise/Agbar	Cost	Contract renegotiated 1996
Argentina	Buenos Aires	Suez-Lyonnaise/Agbar	Cost, connections, profit	Contract renegotiated, court halts price rises
Brazil	Rio de Janeiro	-	Political opposition	Court ruling halts sale
Colombia	Cartagena	Agbar	Dismissal of staff	Dispute
Mexico	Puerto Vallarta	Biwater	Cost, performance	Contract renegotiated
Peru	Lima	Sedepal	Political opposition	Privatisation rejected, 1997
Puerto Rico	Puerto rico	Vivendi	Performance, price	Threat of termination
Trinidad	Trinidad	Severn Trent	Performance	Non-renewal of contra

2. Investment and finance

The issue of finance for investment is crucial to the debate about water privatisation. Substantial investments are needed in most countries to repair old pipes and systems and reduce leakage rates.

A. Multinationals and finance

One of the traditional arguments for privatisation is that the multinationals can and do obtain more finance for investment, more easily. It is assumed that multinationals are investing their own equity, or accessing financial markets not open to public sector companies. The practice, however, is different

Multinationals are reluctant to invest their own equity in water projects, because of low or uncertain profits. Lyonnaise des Eaux invested only \$30m dollars in the \$1,000million which Aguas Argentinas promised to spend on improvements - the rest came from the World Bank and Argentine banks. The regulator in Argentina criticises companies for low levels of investment of their own money, which give them little incentive to improve

Investments in water, whether through concessions or BOTs, have “*attractive rates of return on investment for 20 to 30 years with lower levels of risk*”, according to a financial advisor.⁹

B. Credit ratings

The ability of any organisation to raise finance from international banks depends on their credit rating. This depends on the project rather than the parent company.

Aguas Argentinas, owned by four multinationals, gets a credit rating of BBB- for its new loans(see above). By comparison, the utility company owned by the municipality of Cali, Colombia, had a slightly better credit rating, of BBB until April 1999 (it was then downgraded to BB+, slightly worse than the multinationals’ venture).¹⁰

Recent revisions of credit ratings of firms in Argentina show that private and public ownership makes little difference to the terms on which companies are offered credit. Ratings are revised in line with assessments of the local economy and the rating of the sovereign country, not those of the parent multinationals, because the parent companies do not invest their own equity or provide their own assets as guarantees of the subsidiaries.¹¹

C. International financial institutions

There are a number of international financial institutions involved in providing finance for water and other infrastructure developments, notably the World Bank and the Inter-American Development Bank (IADB). Their lending is not restricted to privatised projects, although they are ideologically inclined to favour privatisation – or ‘partnerships’.¹²

World Bank funds have been made available for publicly-owned water companies such as Sedepal (Lima) and Sabesp (Sao Paulo). However, the world bank has withheld funds from the Paraguayan water company because of delays in privatisation¹³.

◆ Guarantees for private sector operations

The multilaterals do however play an increasingly crucial role in funding and guaranteeing private sector participation. The World bank’s investment arm, the IFC, is a shareholder in Aguas Argentinas,. The IADB is now becoming very active in offering funds and

guarantees. In 1998 it did so in a ground-breaking way at Salitre, in Colombia, where it guaranteed loans to Suez-Lyonnaise for a wastewater treatment plant serving Bogota.¹⁴ It has since made a similar arrangement to help Suez-Lyonnaise fund Aguas de Illimani, in Bolivia.¹⁵

D. Price rises

Any privatised water project is ultimately financed by people paying more for the water they get. This is not only to cover investment, but to ensure profitability, and is the price of 'commercial' pricing of water, according to one consultant: *"tariffs need to be doubled or tripled to create self-sustaining water systems and this causes a political problem that makes it more difficult for private companies to participate"*.

According to Didier Retali, vice president of project finance at Suez-Lyonnaise, the multinationals see prices as a simple conflict, in which the multinational has "needs" which consumers must be persuaded to pay for: *"For Suez Lyonnaise's Retali, the problem of tariffs demands both a contractual and a political response: 'We structure our contracts to achieve economic equilibrium, taking into account exchange rate fluctuations and possible legal changes.' From a political perspective, Retali says: 'We know it is difficult to increase water tariffs in a short period without showing service improvements. So in our risk assessment of a project, we check that the tariff we need will be acceptable to the population in terms of their revenue ratios.' Suez Lyonnaise does not take part in projects unless it happy with the tariff arrangements."*¹⁶

In this context international agencies note with pleasure that even the poorest people are prepared to pay a lot for water: *"Some 1.2 billion poor people in developing countries pay on average 12 times more for water than do their better-off compatriots..... according to the multi-donor World Commission on Water for the Twenty-first Century. That is a gross injustice -- but also a business opportunity, says the group."*¹⁷

E. Finance – for public sector operations

Multinationals use the same sources of finance as public sector bodies can use. - local banks; international banks; and multilateral institutions like the World Bank. But there are political obstacles.

The Sao Paulo state water company, SABESP, is the largest water company in Latin America, and an efficient operation. It has criticised the state and federal governments for restricting its access to credit, despite its profitability.¹⁸ SABESP has further been hit by the World Bank's refusal to help Sabesp obtain relief from a foreign currency debt which fell due immediately after the currency crisis, thus imposing a large, unanticipated financial burden.

3. Developments by country in Latin America

A. Argentina

◆ Buenos Aires province

Buenos Aires province privatised its water services company OSBA, in 1999^{19 20} Five-sixths of the concession was awarded to Enron's water subsidiary Azurix, the company's first major contract in its own right, for a payment of \$438mn. The concession runs for 30 years and total investment is expected to reach \$1.3bn and improve networks by over 40 per cent²¹. The final part was to be expected in August 1999 to be awarded to a joint venture of an Argentinian company Sideco and Aguas de Bilbao (Spain).²²

◆ Misiones

A BOT water concession was awarded to Urbaser, a subsidiary of Spanish construction company Dragados, in August 1999.²³

◆ Mendoza

The concession was awarded to a consortium of SAUR, Italgas and Azurix (Enron) in June 1998.

Other notable developments in the last year concern the earlier concessions in Buenos Aires and Tucuman.

◆ Aguas Argentinas

In June 1999 Aguas Argentinas' loan request for \$120m received a mediocre credit rating (BBB-) from Standard and Poor's, despite the virtual guarantee of support from the IADB. S&P added as a positive factor the company's right to compensation if the concession was revoked: *"While the rating on the transaction is based on Aguas' credit strength and the preferred creditor status of the IADB, the structure also benefits from the company's right to compensation if the concession agreement to provide water and sewage services is terminated by the Argentine government or by the company for any reason. The creditworthiness of the termination compensation to be paid by the government is consistent with the double-'B' foreign currency sovereign credit rating of the Argentine government"*.²⁴ This may imply some pessimism about the longterm future of the concession, by comparison with the 12 year period of the loan.

◆ Tucuman

The regional government finally terminated the contract with Aguas de Aconquila, the subsidiary of Vivendi (Generale des Eaux), in October 1998, and is now carrying out the contract itself, and seeking World Bank funding for investment.²⁵ There were problems with quality and cost with Vivendi,²⁶ although the company is suing the region for compensation.²⁷

B. Bolivia

◆ La Paz

The La paz water company (Samapa) was privatised in July 1997 on a 30-year concession to Aguas Illimani.

Aguas Illimani is 34% owned by Lyonnaise des Eaux, the rest is owned by Bolivian/Argentine investors.²⁸

The privatisation was opposed by La Paz municipality, who campaigned to keep it public.²⁹

◆ Cochabamba

The water concession for Cochabamba (Semapa) was awarded in August 199 to a consortium of two construction companies, Abengoa (Spain) and Bechtel/International water (USA).³⁰ The privatisation had been delayed by political opposition since 1997.³¹

C. Brazil

In Brazil, there is still a real possibility of widespread water privatisation, but this has so far been delayed by political opposition.

The federal government has promised the IMF it will privatise the water companies, which are at present owned and controlled by the state (regional) governments. In 1998, a series of court cases resulted in the abandonment in October of the proposed privatisation of Rio de Janeiro's state water company, CEDAE. Following state elections, more states became resistant to privatisation. Then in July 1999 the federal government announced that it would go ahead and organise privatisation of selected state water companies, including Compesa (state of Pernambuco), Embasa (state of Bahia), and the companies in the states of Rio Grande do Norte and Espirito Santo³². And in August 1999 the municipality of Rio de Janeiro announced it would invite bids for the city's water and sewerage system, although the final court ruling on ownership has not yet been made.³³

So far, only two privatisations have taken place in Brazil.

- In June 1998 Sanepar, the water company covering 7 million consumers in Parana, was partly privatised. 30% of the shares were bought by Vivendi.³⁴
- And in 1995, Aguas de Limeira, a suburb of Sao Paulo, was privatised to Suez-Lyonnaise (which cut staff and increased prices).³⁵

D. Chile

The main water privatisations in 1999 have been in Chile, following a new law passed in 1998 which provided for the privatisation of sanitation concessions.³⁶

Three have been sold so far:

- Esval (Valparaiso) was sold at the end of 1998, with 40% of the shares going to Agua Puerto, a consortium of Enersis (Chile, but now owned by Endesa, Spain) and Anglian Water (UK)^{37 38}. 10% of shares went to employees, 10% sold to others, and 35% remains with the state.³⁹ Esval has just reported a loss for the first half of 1999⁴⁰
- Essel (to a consortium led by Iberdrola)⁴¹
- EMOS (to Suez-Lyonnaise).⁴² Vivendi criticised Suez-Lyonnaise for paying too much for EMOS (\$2.4bn, as opposed to Vivendi's offer of \$1.4bn.⁴³ EMOS is expected to improve the percentage of wastewater treated⁴⁴, and Vivendi have benefited here, being awarded a \$46.4m contract to construct a new sewage treatment plant for EMOS.⁴⁵ According to one report, the state is guaranteeing EMOS a profit margin of 33%.⁴⁶; according to another, Suez-Lyonnaise will appoint 4 out of 7 of the board of directors, giving it a guaranteed management control, despite only holding 42% of the shares.⁴⁷

There has been widespread political opposition, with all parties opposing the sale of EMOS.⁴⁸ which has been held up as a model of efficiency even by the world bank, and has paid dividends to the state. Even the Christian Democrats opposed the sale, saying it would expose EMOS to the vagaries of the market.⁴⁹ There has been local political opposition to the sale of Essbio, too.⁵⁰

There have been a series of strikes over the water privatisations. These have included demonstrations and strikes against the policy of privatisation of water, and against unemployment, led by the trade union federation CUT.⁵¹ The CUT now has a communist president.⁵²

The workers of EMOS were also on strike over the terms and conditions offered by the privatisation process.⁵³ This dispute was settled in August 1999. The settlement is based on a mixture of employee share purchases and compensation, based on 42 days pay per

year of service.⁵⁴ On another privatisation, that of Essel, agreement was made for one months pay per year of service.⁵⁵ In all the privatisations, 10% of shares are reserved for employees.

E. Colombia

A number of cities, starting with Monteria, are reportedly preparing to offer water concessions to the private sector. By August 1999 none had been awarded, and possibly none had been put out to tender.⁵⁶

In 1998, a BOT concession in Colombia, for a new wastewater purification plant serving Bogota, was awarded to a consortium led by Lyonnaise des Eaux. The consortium is financially supported by the IADB (see section 1). Previously, a private concession for water in Cartagena was given to Aguas de Barcelona.

F. Cuba

In February 1999 Cuba agreed to form a joint venture with Interagua, a subsidiary of Aguas de Barcelona, to supply water to the whole of Havana.⁵⁷ *“El convenio se ha materializado a traves de Interagua y el Instituto Nacional de Recursos Hidraulicos (INRH) de Cuba, que constituiran, al 50%, una sociedad mixta por un periodo de 25 anos”*. The stated objective is to attract more external investment into the water company. Aguas de Barcelona had previously held a 'management assistance contract' for water in west Havana, and it also has a contract for water and sewerage for the tourist resort of Varadero.

G. Ecuador

The government plans to privatise all water utilities, to help finance investment⁵⁸. This has been identified as a problem by USA trade officials, concerned with establishing a market for US-manufactured equipment⁵⁹. There has been strong political opposition to this, especially from the 'peasant-Indians alliance'⁶⁰, who are protesting against a number of issues,⁶¹ and the oil workers union.⁶²

Ecuador is also experiencing the potential long-term problems of privatised concessions. A US company which has held the electricity supply monopoly in Guyaquil for 73 years, under a contract which guarantees them a return on capital of 9.25%, is suing the government for over \$50m compensation for its failure to continue paying the contractual amounts.⁶³

H. Panama

Strikes and demonstrations in Panama inat the end of 1998 forced the then president to back down on plans to privatise the national water company, IDAAN. The trade unions threatened to hold a general strike, and there was widespread concern about price rises.⁶⁴ General opposition to the government's economic policies, and student demonstrations, were also factors.⁶⁵

In May 1999 the newly elected president of Panama, Mireya Moscoso , promised to halt the privatization of IDAAN, and proposed to solve the problem of the water supply by using the funds of the Social Development Fiduciary Fund.⁶⁶

Since then there has been concern and opposition to a local water concession granted to the English water company Biwater by the previous president. The opponents argue that it was improperly awarded and should be scrapped.

I. Paraguay

The government of Paraguay is proposing largescale privatisations, including water and sewerage services. These are strongly opposed by local trade unions and others.⁶⁷

J. Peru

Peru's president Fujimori decided in 1997 to abandon the proposal to privatise the water and sanitation company of Lima, Sedepal.⁶⁸ The government instead decided on an investment programme of \$400m., partly financed by the World Bank.⁶⁹ Fujimori has now gone further. In March 1999 he pledged he would never privatise water (or hydroelectric plants), and said he was considering introducing legislation that would make it impossible for anyone else to do so in future.⁷⁰

Sedepal is itself now bidding for a BOT water supply project at Rio Chillón.⁷¹, for which Sedepal also guarantees to buy the water supplied.

K. Puerto Rico

The Puerto Rico Aqueduct and Sewers Authority (PRASA) was contracted out in 1995 to Compañía de Aguas/PSG, a subsidiary of the Europe-based Vivendi corporation. The contract was restructured in 1998 to give the private company complete control over PRASA's administration.

In the first week in August 1999, the Puerto Rico Office of the Comptroller issued an extremely critical report on the contract., listing numerous faults, including deficiencies in the maintenance, repair, administration and operation of aqueducts and sewers; and required financial reports that were either late or not made.⁷²

L. Trinidad

Severn Trent, who managed the water authority WASA for 5 years, were sent home in April 1999. The management has reverted to public sector control. The government of Trinidad however is proposing to completely privatise the water authority through a 30-year concession next year. The Trinidad union NUGFW has published a strong critique of the results of 5 years of Severn Trent.

- A 1998 Report by London Economics shows that less than 30% of customers receive a continuous supply of water and less than 60% receive a piped supply for more than half the time.
- only 30% of the population receive a sewerage service from WASA.
- in 1998 a net operating deficit of \$420 million , actually increasing over 1997.
- a loss of hundreds of jobs at WASA when there are thousands of leaks waiting to be repaired.
- a front company, the Trinidad and Tobago Water Finance Ltd, has arranged a \$450 million loan to WASA, which will take 25 year to pay back.
- plans to put meters in all homes with the target of reducing water consumption by up to 40% and link this to an increase in water rates of 16% per annum until charges are high enough for the private sector to make enough profit - sometime in the year 2009.⁷³

M. Uruguay

In March 1999 the eastern area of Maldonado had its water privatised by a concession awarded to Vivendi.⁷⁴ the major water company of Uruguay remains in the public sector, however.

4. Multinationals active in water in South America

A. Suez-Lyonnaise des Eaux (France)

In 1997 Lyonnaise des Eaux merged with Compagnie Suez to form Suez-Lyonnaise des Eaux. This merger brought the Belgian energy multinational Tractebel into the Lyonnaise group. Suez-Lyonnaise employs about 200,000 people worldwide. Lyonnaise has decided to focus on the main utility sectors: water, energy, waste management, and telecomms; and also on media and construction. The group expects most of its growth to take place outside France in the next 5 years.

Lyonnaise is very active worldwide in water contracts. Since the start of 1998 it has obtained new water concessions in the Philippines, Indonesia, Hungary, and USA as well as Argentina, Bolivia and Colombia. In North America it has expanded sharply by buying the whole of United water Resources, and two water equipment and supply firms, calgon and Nalco.

Lyonnaise has a significant presence in latin America through Tractebel; and also in waste management, through Sita . In Brazil, it has taken over the Brazilian company VEA; in Argentina, it has won a refuse collection contract in Buenos Aires.

Suez-Lyonnaise also has a major construction division, GTM, which is for example building a toll road in Chile. It is also building a new prison in Buenos Aires province.

Along with the other French-based multinationals, it has been the subject of investigations and convictions for corruption in France.

B. Vivendi (Generale des Eaux) (France)

Vivendi adopted its new name in 1998: it was previously known as Generale des Eaux. It employs about 193,000 people worldwide, with turnover of 167 billion French francs (25 billion dollars)

Like Suez-Lyonnaise, it is also focussing on core businesses in all the utilities: water, energy, waste management, telecomms, public transport - and media and construction. The company is investing most money and effort in energy, telecomms and media, and has bought a controlling share in the French media group Havas.. It too has bought major new operations in north America, in this case the water and water services giant US Filter. (which also gives Vivendi a share of the bottled water market, as US Filter owns 'Sparkling', a large mineral water brand in Argentina, and another in Chile.⁷⁵)

In April 1999 it won the bidding for a share of Berlin water, the most important water privatisation in western Europe.

The company is also active in South America in other areas. Its waste subsidiary Onyx has a refuse collection contract in Buenos Aires; its energy subsidiary Sithe operates in Argentina, Brazil, and Colombia; and its publishing subsidiary Havas has bought the Spanish medical publisher Doyma, which is the largest supplier of medical information to doctors in Argentina, and educational publisher Anaya. It also put in a tender - which failed - to run the metro transport network of Rio de Janeiro.

C. SAUR (France)

SAUR International is 77% owned by Bouygues, a giant French construction company, and 22% owned by Electricite de France (EdF), the French state-owned electricity company. It is the third water company in France.

It is active internationally, particularly in Africa.

Its main presence in South America has been in energy concessions in Argentina. It is a partner in the consortium expected to win the concession in Mendoza, Argentina, in June 1998, alongside Azurix (the water division of the US private energy company Enron) and Italgas, the Italian gas and water company which remains partly state-owned.

D. Aguas de Barcelona (Spain),

Aguas de Barcelona (AgBar) is a Spanish water company, 25% owned by Lyonnaise des Eaux. It never bids against Suez-Lyonnaise. It has a turnover of 183 billion pesetas and employs about 23,000 people. Outside Spain, it is active in Portugal (but not elsewhere in Europe), in north Africa, and in Latin America. Most of Lyonnaise des Eaux' operations in South America are in partnership with AgBar.

Agbar is involved in water concessions in Argentina (Buenos Aires, Santa Fe, Cordoba); Chile (Valdivia); Colombia (Cartagena, Santa Maria, Baraquilla); Cuba (Varadero, Havana); and Uruguay (Maldonado). Its major independent water concessions in Latin America are its operations in Cuba. In August 1999 it won an agreement from the Cuban government to be a partner in a joint venture in Havana (see above).

AgBar is also involved in other sectors: healthcare, waste, vehicle inspection, multimedia services, and tax collection. It is active internationally in these sectors too. It formed a healthcare partnership, BBV Adeslas, in April 1999, in Argentina, which owns a number of private hospitals and plans to invest \$100m in this sector.⁷⁶; it has vehicle inspection contracts in Argentina, and is bidding for more contracts in Brazil; and it has a tax collection contract in Cartagena, Colombia.

E. Other Spanish companies

Some other Spanish companies have been acquiring water interests in Latin America. They include:

- Endesa, the largest Spanish electricity company, has a large presence in energy in Latin America, especially in Chile.⁷⁷ It has interests in two of the companies which have won recently privatised Chilean water operations.
 - AgBar: Endesa holds 11.8% of Aguas de Barcelona, and so is indirectly involved in its ventures, including its stake in EMOS, in Chile..
 - Enersis: Endesa now controls the Chilean energy company Enersis, and so controls the major partner in Agua Puerto, which won the concession for Esva in Chile
- Iberdrola (the second largest Spanish energy company)- which won the Esva water concession in Chile, and already has extensive gas and electricity interests in Latin America⁷⁸
- Dragados/Urbaser (construction and environmental services) – water concession in Misiones, Argentina. Dragados also has a number of other concessions for toll-

roads and airports in Latin America, most recently, in Partnership with Spanish airport company AENA and Union Fenosa, for the pacific coast airports of Mexico.⁷⁹

- Abengoa (construction) – which has won the concession for Cochabamba, in Bolivia
- Aguas de Bilbao – a small part of the BA province water operations (1/6)

Other companies bidding for some water concessions, so far unsuccessfully, include Union Fenosa (another Spanish energy company), and IPE-Aguas de Portugal. The Spanish company FCC is now effectively controlled by Vivendi, and so always bids as partner of Vivendi.

F. Azurix (USA)

Azurix is the water division of Enron, the USA energy multinational. Enron created Azurix when it bought Wessex Water, a UK water company, in June 1998. In June 1999 Azurix was partly floated. Enron now retains 35% of the company's shares.

Azurix has found it difficult to establish itself as an international water company. It has bought half-shares of joint ventures in Mexico – Cancun, and IASA – from Aguas de Barcelona and Severn Trent respectively (a transfer rather than an increase of privatised water operations), and joined the group of SAUR and Italgas which won the Mendoza concession in Argentina in July 1998.

Its first major concession won in its own right was for OSBA, province of Buenos Aires, in July 1999 – a 30year concession for which it paid \$438m (see below).

Enron is very active in energy privatisation in Latin America as well.

G. Anglian Water

Anglian Water has re-emerged in South America in Valparaiso, Chile, in partnership with Enersis, the Chilean energy company, which is itself majority owned by Endesa (Spain), the largest Spanish energy company.

Anglian has in the past had very bad experiences with international water operations. It pulled out of ventures in Brazil, making large losses in the process, and was heavily criticised for its failures in a joint venture in the Czech republic, vakJC. In 1999 however Anglian decided to relaunch itself internationally. They first bought up nearly 100% of vakJC, beating Suez-Lyonnaise in a bidding war.

Then it successfully bid, in partnership with Enersis, to operate water and wastewater services for Esval, the second largest supplier in Chile with a customer base of 1.5 million. Anglian Water owns 28% of the joint venture, Agua Puerto, which in December 1998 was expected to take a 35% stake in Esval.

H. Other UK water companies

The UK privatised water companies are relatively small and unsuccessful internationally compared with the French companies. A number of them have had to write off large sums of money lost in international ventures which have gone wrong: United Utilities (£90m lost in Thailand); Thames Water (over £120million lost in Egypt and elsewhere); Anglian Water (wrote off £19m in failed ventures in Brazil and the Czech republic); and Yorkshire Water (wrote off £3 million in failed international ventures)

- **Severn Trent** have now abandoned both their contracts in the region.
 - **Mexico** In June 1999 it sold its holding in IASA (Mexico) to Azurix

- **Trinidad.** In April 1999 its management contract ended. The results were very poor, as measured by consultants' reports.. The government of Trinidad installed local management to take over, rather than extend Severn Trent's contract, even though it plans to invite tenders for a full concession.

Despite this record, a few are still present, mainly in central America.

- **United Utilities** and **Thames Water** have shares in water companies in Mexico City, but the contracts are seen by the companies as unsatisfactory and unprofitable.
- **Thames Water** has a joint venture with the US company **Dick** in Puerto Rico
- **Biwater**, which is a small company even in the UK, has a sanitation concession at Puerto Vallarta in Mexico since 1995. Biwater also has a presence in Chile. It has been offered a local water concession in Panama, which is the subject of great local controversy. In 1999, after presidential elections which resulted in the defeat of the candidate who had advocated privatisation of the country's water service.

(Biwater is also the subject of bitter opposition in Bangalore (India) and Nelspruit (South Africa), and Harare (Zimbabwe), where it has obtained contracts which are strongly resisted by local unions, and criticised for alleged corruption. It has been criticised for failures on water contracts in Indonesia (Batam Island) and Philippines (Baguio) where the local business association described their prices as monopolistic extortion.)

◆ **Table : Empresas de aguas privadas en America Latina August 1999**

De base de datos de PSIRU 07/09/1999

Pais	Empresa	Grupo	%	% indirect	Via
Argentina	Aguas Argentinas	Aguas de Barcelona	12.42		
Argentina	Aguas Argentinas	Anglian Water	4.50		
Argentina	Aguas Argentinas	Endesa		1.47	Aguas de Barcelona
Argentina	Aguas Argentinas	Suez-Lyonnaise		2.98	Aguas de Barcelona
Argentina	Aguas Argentinas	Suez-Lyonnaise	25		
Argentina	Aguas Argentinas	Vivendi	8		
Argentina	Aguas Argentinas	World Bank	5		
Argentina	Aguas Cordobesas	Aguas de Barcelona	10		
Argentina	Aguas Cordobesas	Endesa		1.18	Aguas de Barcelona
Argentina	Aguas Cordobesas	Suez-Lyonnaise		2.40	Aguas de Barcelona
Argentina	Aguas de Aconquija	Vivendi	90		
Argentina	Aguas de Misiones	Dragados		100	Urbaser
Argentina	Aguas de Misiones	Urbaser	100		
Argentina	Aguas de Santa Fe	Aguas de Barcelona	12.93		
Argentina	Aguas de Santa Fe	Endesa		1.53	Aguas de Barcelona
Argentina	Aguas de Santa Fe	Suez-Lyonnaise			
Argentina	Aguas de Santa Fe	Suez-Lyonnaise		3.10	Aguas de Barcelona
Argentina	OS Mendoza	Azurix			
Argentina	OS Mendoza	Bouygues			SAUR
Argentina	OS Mendoza	EDF			SAUR
Argentina	OS Mendoza	ENI-Italgas-SNAM			
Argentina	OS Mendoza	Enron			Azurix
Argentina	OS Mendoza	SAUR			
Argentina	OSBA	Azurix	100		
Argentina	OSBA	Enron		35	Azurix
Argentina	SADE (Argentina)	Vivendi			
Bolivia	Aguas de Illimani	Suez-Lyonnaise	34		
Bolivia	Aguas del Tunari	Abelgoa	25.50		
Bolivia	Aguas del Tunari	Bechtel			International Water
Bolivia	Aguas del Tunari	International Water			
Bolivia	Aguas del Tunari	United Utilities			International Water
Brazil	Aguas de Limeira	Odebrecht	50		
Brazil	Aguas de Limeira	Suez-Lyonnaise	50		
Brazil	Brazil Water Works	Anglian Water			
Brazil	Camuzzi (Brazil)	Camuzzi			
Brazil	CEDAE	State			
Brazil	Cejen-Anglian	Anglian Water	37.50		

Pais	Empresa	Grupo	%	% indirect	Via
Brazil	OTV Brasil	OTV			
Brazil	OTV Brasil	Vivendi			OTV
Brazil	Sanepar	Vivendi	30		
Brazil	Thames (Brazil)	Thames Water	100		
Chile	Aguas de Valdivia	Aguas de Barcelona			
Chile	Aguas de Valdivia	Endesa			Aguas de Barcelona
Chile	Aguas de Valdivia	Suez-Lyonnaise			Aguas de Barcelona
Chile	Aguas de Valdivia	Suez-Lyonnaise			
Chile	Aguas Decima	Aguas de Barcelona	50		
Chile	Aguas Decima	Endesa		5.90	Aguas de Barcelona
Chile	Aguas Decima	Suez-Lyonnaise		12	Aguas de Barcelona
Chile	Aguas Decima	Suez-Lyonnaise	50		
Chile	Aguas Puerto	Anglian Water	28		
Chile	Aguas Puerto	Endesa			ENERSIS
Chile	Aguas Puerto	ENERSIS			
Chile	Aguas Quinta	Aguas de Barcelona			
Chile	Aguas Quinta	Chilquinta	30		
Chile	Aguas Quinta	Endesa			Aguas de Barcelona
Chile	Aguas Quinta	Suez-Lyonnaise			Aguas de Barcelona
Chile	Aguas Quinta	Suez-Lyonnaise			
Chile	Camuzzi (Chile)	Camuzzi			
Chile	Consortium Bayesa	Biwater	50		
Chile	EMOS	Aguas de Barcelona			SantiAguas
Chile	EMOS	Endesa			Aguas de Barcelona
Chile	EMOS	SantiAguas	42		
Chile	EMOS	State	58		
Chile	EMOS	Suez-Lyonnaise			Aguas de Barcelona
Chile	EMOS	Suez-Lyonnaise			SantiAguas
Chile	Essal	EdP		1.02	Iberdrola
Chile	Essal	Employees	10		
Chile	Essal	Iberdrola	51		
Chile	Essal	State	35		
Chile	Esval	Aguas Puerto	40		
Chile	Esval	Anglian Water		11.20	Aguas Puerto
Chile	Esval	Employees	10		
Chile	Esval	Endesa			ENERSIS
Chile	Esval	ENERSIS			Aguas Puerto
Chile	Esval	State	35		
Chile	SADE (Chile)	Vivendi	100		
Chile	SantiAguas	Aguas de Barcelona			
Chile	SantiAguas	Endesa			Aguas de Barcelona

Pais	Empresa	Grupo	%	% indirect	Via
Chile	SantiAguas	Suez-Lyonnaise			
Chile	SantiAguas	Suez-Lyonnaise			Aguas de Barcelona
Colombia	ACUACAR	Aguas de Barcelona	51		
Colombia	ACUACAR	Endesa		6.02	Aguas de Barcelona
Colombia	ACUACAR	Suez-Lyonnaise		12.24	Aguas de Barcelona
Colombia	Acueducto Bogota	State	100		
Colombia	Agbar (Barranquilla)	Aguas de Barcelona			
Colombia	Agbar (Barranquilla)	Endesa			Aguas de Barcelona
Colombia	Agbar (Barranquilla)	Suez-Lyonnaise			Aguas de Barcelona
Colombia	INASSA	Aguas de Barcelona	20.24		
Colombia	INASSA	Endesa		2.39	Aguas de Barcelona
Colombia	INASSA	Suez-Lyonnaise		4.86	Aguas de Barcelona
Colombia	Lyonnaise (Colombia)	Suez-Lyonnaise			
Colombia	Metroagua	Aguas de Barcelona	51		
Colombia	Metroagua	Endesa		6.02	Aguas de Barcelona
Colombia	Metroagua	Suez-Lyonnaise		12.24	Aguas de Barcelona
Cuba	Agbar (Cuba)	Aguas de Barcelona			
Cuba	Agbar (Cuba)	Aguas de Barcelona			Interagua
Cuba	Agbar (Cuba)	Canal de Isabel II			Interagua
Cuba	Agbar (Cuba)	Endesa			Aguas de Barcelona
Cuba	Agbar (Cuba)	Endesa		17.85	Interagua
Cuba	Agbar (Cuba)	Endesa			Aguas de Barcelona
Cuba	Agbar (Cuba)	Interagua	50		
Cuba	Agbar (Cuba)	State	50		
Cuba	Agbar (Cuba)	Suez-Lyonnaise			Aguas de Barcelona
Cuba	Agbar (Cuba)	Suez-Lyonnaise			Aguas de Barcelona
Cuba	Aguas de Varadero	Aguas de Barcelona			
Cuba	Aguas de Varadero	Endesa			Aguas de Barcelona
Cuba	Aguas de Varadero	Suez-Lyonnaise			Aguas de Barcelona
Mexico	Agua de Mexico	United Utilities	49		
Mexico	Aguas de Cancun	Aguas de Barcelona	50		
Mexico	Aguas de Cancun	Endesa		5.90	Aguas de Barcelona
Mexico	Aguas de Cancun	Suez-Lyonnaise		12	Aguas de Barcelona
Mexico	Aguas Negras de Puerto Vallarta	Biwater	100		
Mexico	Azurix Cancun	Azurix	49.90		
Mexico	Azurix Cancun	Enron		17.47	Azurix
Mexico	Generale des Eaux (Mexico)	Vivendi			

Pais	Empresa	Grupo	%	% indirect	Via
Mexico	IACM	Azurix			IASA
Mexico	IACM	Enron			Azurix
Mexico	IACM	IASA			
Mexico	IASA	Azurix	49		
Mexico	IASA	Enron		17.15	Azurix
Mexico	Lyonnaise (Mexico)	Suez-Lyonnaise	100		
Mexico	Omsa	Vivendi	50		
Mexico	TECSA	Suez-Lyonnaise			
Mexico	Thames (Mexico)	Thames Water	100		
Panama	Aguas de Panama	Biwater			
Peru	SEDEPAL	State			
Puerto Rico	Compania de Aguas	Vivendi	100		
Puerto Rico	Thames Dick	Thames Water	50		
Trinidad and Tobago	TTWS	Severn Trent	50		
Trinidad and Tobago	TTWS	Tarmac	50		
Uruguay	Aguas de la Costa	Aguas de Barcelona	60		
Uruguay	Aguas de la Costa	Endesa		7.08	Aguas de Barcelona
Uruguay	Aguas de la Costa	Suez-Lyonnaise		14.40	Aguas de Barcelona
Uruguay	Aguas del Sauce	Vivendi	100		
Uruguay	SADE (Uruguay)	Vivendi	100		

NOTES

¹ 117**20 Jul 1999 Scorched Earth: How Drought Delayed Brazil's Privatization Of Hydroelectric Assets - Cia Hidro Eletrica do Sao Francisco (Chesf) will not be privatized at least until 2000, as drought continues to plague northeastern Brazil: Wall Street Journal - (3 Star, Eastern (Princeton, NJ) Edition) Business and Industry (Q1:56) The privatization of Cia Hidro Eletrica do Sao Francisco (Chesf) will be delayed at least until 2000, as drought continues to plague northeastern Brazil. The company generates electricity, but also is involved in irrigation and fishing projects, and anti-privatization forces argue that whoever controls Chesf's dams and reservoirs controls the Sao Francisco River, the area's main water source. Currently the drought is so severe that many people on city water systems get tap water just one day a week. Brazil gets 95% of its electricity from hydropower (vs 11% in the US, where half of the hydropower generators are still owned by the federal government). Brazil's generating companies had combined revenues of \$10 bil in 1998. Privatizing the hydroelectric generators would be unique, according to Thomas R Smith of Public Service Enterprise Group Inc (PSEG; Newark, NJ), which has expressed an interest in buying some of the Brazilian capacity. Privatizing the electric power industry is required by an agreement Brazil signed with the International Monetary Fund in late 1998. And Brazil must do something to attract new investment capital and new capacity to prevent the development of power shortages, which would hinder economic recovery and growth. Chesf, formed by the government in 1948, has acted as a social service agency, rather than as a profit-making corporation. It has 14 generating stations along the Sao Francisco River, and manages reservoirs to prevent flooding and to irrigate huge areas of farmland to grow mangoes, melons and coconuts. The drought, which has lasted for 18 months already, has raised fears among the population of 40 mil people served by Chesf, that a privatized electric company would act only to maximize electric production and profit, ignoring the water needs of the region. In fact, there are enough proposals to use Sao Francisco River water for irrigation that there would be no water left for power generation. And the city of Recife, with 3 million people, may have to start drawing water from the Sao Francisco River, even though it is hundreds of miles away, since the rivers that normally supply Recife are drying up. International investors say that the water rights questions must be settled before they will be willing to invest in the area. Sao Paulo will move ahead with privatization of some of its generating companies this month (7/99).

² 18**16 Aug 1999 INTERPRESS: ENERGY-LATAM: LARGE DAMS MAKE WAY FOR ALTERNATIVE SOURCES: Asia Intelligence Wire (Q1:124) SAO PAULO, Brazil, (Aug. 15) IPS - Alternatives like small dams, biomass and energy conservation are more viable in Latin America than large hydropower dams, according to a Regional Consultation organized by the World Commission on Dams (WCD) While experimental development of such alternatives is still in its infancy, it has awakened the interest of companies and government energy agencies, said participants at the Aug 12-13 gathering in Sao Paulo, Brazil's largest city

The National Agency of Electric Energy (ANEEL), recently created to regulate and supervise Brazil's energy sector, is going forward with technical studies on small hydropower dams, which could be included in future government plans

Of the country's potential 260 gigawatts of hydropower, at least 40 or 50 could be exploited over the next 10 or 15 years by small dams, according to Marcos Freitas, ANEEL's superintendent of water resources

"Many of the more than 400 dams to be built by the year 2015 will be of reduced size," said Freitas

The most controversial social impact of large dams is the massive displacement of people from their homes and land

In Brazil alone there are 30,000 pending resettlement cases, and "at least 200,000 people who received such absurdly small indemnification that they have not been able to return to their activities, and have joined the ranks of landless peasants," said Sadi Baron, coordinator of the Movement of those Affected by Dams (MAB)

The social impact of large dams was highlighted Thursday by the presence of around 1,000 people displaced from their land, mobilized by MAB, who turned the gathering into a political rally, much to the chagrin of the WCD

The WCD is comprised of 12 representatives of governments, international financial institutions, construction companies and social and environmental movements. Based in Capetown, South Africa, the group already held a regional consultation in Asia, and plans to draw up a report on dams in the world, to be released next year

An immediate solution to pending resettlement cases and action to prevent further problems were called for by the leaders of social movements, like Carlos Chen with the Rio Negro Community of Guatemala, Cristian Opasso of Chile's Group of Action for the Biobo, and Elias Daz Pea with the Paraguayan group Survival

MAB's Baron predicted "an even greater tragedy" if Brazil builds the 494 dams projected by the year 2015 by a privatized energy sector

Large dams also cause environmental damages, which have even been recognized by the Inter-American Development Bank (IDB)

IDB director Jaime Millan conceded that errors were committed in the past, when the IDB financed energy projects without evaluating environmental impact. But he said that today the bank only approved credits after extensive studies were carried out

"In the 1980s, the IDB had only one person in charge of environmental questions. Today we have more than 60," he stressed

Besides attenuating negative impacts such as flooding of forests and displacement of local inhabitants, small and micro-hydropower plants pose smaller risks, take advantage of natural waterfalls, and are less complex to build, experts attending the gathering argued

According to physicist and former Brazilian education minister Jos Goldemberg, the only Latin American member of the WCD, such technical questions are already being widely discussed in South America, and should encourage governments and companies to carry out serious assessments of the range of options

Alternatives also provide quicker solutions. In Brazil, for example, the present electric capacity of 63 gigawatts is in urgent need of amplification, and large dams take too long to build, while small dams are much more simple projects, Goldemberg pointed out

Small dams have been built in Colombia. But the concentration of hydropower projects in the northwestern province of Antioquia has limited the progress on the debate over alternative energy sources, said sociologist Margarita Rosa de Castro Illera, adviser to the president of Empresa Urr, S.A., the company that administers the Urr hydropower plant

Furthermore, the development of energy sources - conventional and alternative -- in Colombia's Amazon region has been brought to a standstill by the armed conflict. If it were not for "the economic recession, there would surely be a major energy deficit in the country," said Rosa de Castro Illera

But some alternative energy technologies also cause environmental damages, said Philip Fearnside, with the Brazilian National Institute of Research on the Amazon (INPA)

"But biomass, if fully developed in all its aspects, can be a good option in certain regions," said the U.S. doctor in ecology who has been working in Brazil's Amazon jungle region for years

Fearnside mentioned examples such as replacing mineral coal with vegetable coal in large steelworks, and using sugar cane waste products, abundant in Brazil

And policies promoting the production of goods that consume less energy, such as those being implemented in some industrialized countries, also make a significant contribution to curbing environmental impact, he added

Professor Celio Bermann, with the University of Sao Paulo, underlined the need to modernize existing power plants, to bring them up to date with the latest technology. In Brazil, "many plants have already been operating for years, and could generate up to 20 percent more energy than at the present time," he pointed out

Business representatives participating in the Latin American WCD gathering also demonstrated their sensitivity to the need to review the model of large dams

The president of Asea Brown Boveri (ABB), Goran Lindhal, another member of the WCD, said his company was working on developing new energy technologies

Social and environmental issues can be addressed even while responding to the demands for energy, still a major issue in many countries, Lindhal argued

Since energy represents only five percent of ABB's business, he said the company was able to dedicate itself to studying alternatives, since it is not committed to the "conventional market" in that area. The most immediate possibility is the production of equipment for small dams and other sources of energy production, he added

IDB director Jaime Millan spoke of the future of large dams in Latin America and the strategy of his bank, whose participation in financing energy projects has shrunk to less than 10 percent of the total eight billion dollars invested annually in the Americas

That drop has been compensated, however, by a substantial increase in credit earmarked for social areas, to close to half of the IDB's total loans -- which helps governments in the region curtail the social and environmental impact of hydropower plants, he said

³ Latin Trade Business and Industry Mar 199: Muddy Waters - Overview of troubles with Argentina's water infrastructure.....(see below)

⁴ 21 Nov 1997 ARGENTINA AGREES TO REVISE WATER CONCESSION TERMS: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:41)

By AXEL BUGGE, BUENOS AIRES Newsroom, 541 318-0668)) BUENOS AIRES The Argentine government on Thursday issued details of a fresh agreement with Aguas Argentinas reached after months of talks on how to compensate the water company for losses in expanding service under terms of its original operating concession.

The agreement marks the first time the government has agreed to alter the terms of a privatization contract for an Argentina utility. Most of them were sold in the early 1990s.

The deal provides an extra Dollars 4 charge to be paid to Aguas every two months by its customers, the government said in the Thursday issue of its Official Bulletin.

'The adaptation to Aguas Argentinas' concession contract will facilitate the access to tap water and sewage services of three million people and incorporate new environmental measures that will benefit 10 million people in Buenos Aires city,' the company said in a statement.

Talks began in February to change the terms of the 30-year concession in the 1993 privatization, after the government asked the company to stop charging customers in poorer areas who were unable to pay initial water-service connection fees. Under the fresh agreement, those customers will pay off those charges in installments over five years.

'This way the government resolves the situation suffered by many people with low incomes in greater Buenos Aires ..who had difficulties to pay the connection charge,' Aguas said.

The company has said it was losing Dollars 60 million in revenues because of the shortfall in payments.

Aguas, controlled by France's Lyonnaise des Eaux-Dumez, also complained about government requests that it carry out environmental and sewage works projects ahead of schedule or add to the list of such projects set forth under the original terms.

'The agreement imposes on the company the obligation of satisfying environmental demands that will raise the quality of life for the population,' the Aguas statement said.

The company has said it already invested Dollars 800 million of the Dollars 1.0-Dollars 1.2 billion it saw necessary to fulfill the expansion targets defined in the privatization terms for the first five years of the concession.

Consumer groups and some politicians argued an extra charge of Dollars 4 every two months is too much, saying the company has not invested as much as it was supposed to under the privatization contract.

⁵ 29 Sep 1997 FOCUS-ARGENTINA UTILITIES FACE CONSUMER ANGER: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:59)

By AXEL BUGGE, BUENOS AIRES Newsroom, 541 318-0668)) BUENOS AIRES Water company Aguas Argentinas has become the country's latest privatized utility to suffer a barrage of consumer criticism over plans to hike rates for its services.

The row between consumers and the firm, operated by France's Lyonnaise des Eaux-Dumez, hit the front pages after local media reported it planned to bill its clients an extra Dollars 2-Dollars 4 every two months.

It brought instant comparisons with the restructuring of telephone call rates announced by the government in February after intense lobbying by Telefonica de Argentina and Telecom de Argentina.

The restructuring led to a flurry of conflicting court rulings which have still to be resolved.

Argentines generally grudgingly admit that the quality of their public services has improved vastly since the Peronist government of President Carlos Menem privatized them. But many are suspicious of their new foreign owners, and bitterly resent increases in charges.

'Nobody is questioning the (privatized) system any more. Now only rates are discussed,' said Freddy Thomsen, Argentina economist at ING Barings.

The cases have highlighted that the rules of the privatization game are still fuzzy, something the government should rectify in future privatizations, financial analysts say. There are still many assets on the government's for-sale list, including airports, hydroelectric dams and provincial utilities.

'Argentina is still trying to attract investors so the rules of the game cannot be changed,' said Thomsen.

But these problems over water and telephones have created an atmosphere of uncertainty both for the companies that run the services and for consumers as the legal and political authorities delay making final decisions.

The telephone rate changes, increasing the cost of local calls while slashing long-distance rates, were first challenged by consumers and opposition politicians in the courts in February.

The latest announcement came at the end of August when the Supreme Court decided it would give no ruling until the State Prosecutor's Office has passed its judgment on the issue. A decision is not likely until after October's mid-term congressional elections.

Industry specialists fear the Aguas Argentinas case will probably drag on for a long time as well. The firm originally asked the government at the beginning of this year for a reformulation of its 30-year concession granted in a 1993 privatization.

The company said it wanted the contract redrawn to compensate it for losing Dollars 60 million after the government asked it to build water and sewage connections for free last year after protests over charges in poor areas.

Sources close to the negotiations say Aguas Argentinas wants to charge all its customers Dollars 2-Dollars 4 more every two months but the government may insist on a smaller charge.

But consumers counter that Aguas Argentinas has not carried out all the investments it was obliged to do under the original 30-year concession agreement. The company has invested Dollars 800 million since 1993.

'Aguas Argentinas has not met its investment obligations,' Claudia Collado, a legal advisor to Consumer Action, a private sector consumer lobby, told Reuters. 'Therefore I think this (extra charging) is very unjust.' She said the failure of the company to build a water plant in the Berazategui area of Buenos Aires gives the company yearly savings of Dollars 35 million. She says no extra cost should be charged.

Pablo Rodriguez Miranda, head of research at Banco Republica, said the 'biggest problem is that the Supreme Court takes so much time' to clear up legal confusion.

He said that if Aguas Argentinas and the government agree rate hikes they could once again be challenged in the courts.

⁶ 17 Mar 1998 AGUAS ARGENTINAS SAYS RULING WILL CUT REVENUES: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:37) BUENOS AIRES

Aguas Argentinas said on Tuesday it will be unable to expand its water networks as planned because its revenues will be reduced after a court barred it from billing customers the Dollars 4 'solidarity' charge.

The court ruling 'will hurt expected revenues from the concession, which will make it impossible to advance with the expansion of new networks,' the company said in a press release.

A judge on Monday barred the company, controlled by France's Lyonnaise des Eaux-Dumez, from billing its customers an extra Dollars 4 every two months to cover losses incurred in its services to poor areas. The fee, known as the 'solidarity' charge, was introduced last November.

Jorge Maiorano, the independent public ombudsman, challenged the fee in court, saying the company had not met the investment targets outlined in the 1993 Aguas privatization contract, and therefore had no right to charge the fee.

Aguas, however, said it had met its obligations under the contract, ploughing Dollars 1.02 billion into network expansion and quality

improvements so far. But its Dollars 240 million 1998 investment budget 'will be severely affected by this ruling.'

The new charge was part of a deal struck in November between Aguas and the government, which altered some of the terms of the original privatization.

The deal aimed to compensate the water company for losses in expanding networks to customers in poorer areas who were unable to pay initial connection fees.

The company said last year it had lost Dollars 60 million in revenues providing service to lower-income areas. The government had asked the company to stop charging customers the fee in poorer areas.

Under the agreement, less well off customers would be able to pay off the installation charges over five years and the company would introduce the new Dollars 4 charge, in return for new environmental works and network expansions by Aguas.

Now, the company said, it will be unable expand services to some three million people who still do not have running water.

⁷ 282** Mar 1999 Muddy Waters - Overview of troubles with Argentina's water infrastructure; Azurix-lead group will spend \$300+ mil for water service improvements in Mendoza: Latin Trade Business and Industry (Q1:184). The privatization of some of Argentina's water supply has led to unrest. National and local governments in Latin America are confronted with degrading water infrastructure and the want of finances to carry out needed improvements, so there is no lack of private water companies seeking to enter the market. Azurix and SAUR will spend \$300+ mil on water improvements over the initial 25 year period of their 95-yr contract with the province of Mendoza, Argentina. Aguas Argentinas, operated by Suez Lyonnaise (France), invested \$1+ bil through 1998 for improvements in its coverage of Buenos Aires and some surrounding territory. It was awarded a 30 yr contract in 1993. Suez Lyonnaise was granted the concession because it offered a tariff reduction of 26.9%. It has spent \$120 mil of its own funds and does not pay for using existing facilities. Since taking over water provision in Buenos Aires, the company has increased sewage system access to 5.8 mil and water hook-ups to 7.7 mil. However, 3.5 mil people in Buenos Aires still lack sewerage or running water.

Argentina, the Latin American leader in private water works, struggles to create a transparent concession system.

BY PETER HUDSON BUENOS AIRES photo omitted Those in Latin America's nascent private-sector water industry need look to further to find a worst-case-scenario than the province of Tucuman, Argentina, home to 1.1 million people.

In 1995, French water concern Vivendi, then known as Cie. Generale des Eaux, entered into a 30-year concession with the Peronist government to run the water system. Within months, the company doubled tariffs to cover an aggressive investment program. During that time, a new governor--Antonio Bussi--took office and took issue with the privatization. Using the new, higher rates as tinder to light a fire under political enemies, he and his supporters took to the streets, encouraging citizens to stop paying their bills. Then, inexplicably, the water turned brown. Few residents needed more persuasion that privatization was a bad idea. More than eight of 10 residents stopped paying their bills, forcing the company to rescind its contract. For Vivendi, which filed a US\$100 million suit against the government, the move to end its contract was a first in its 145-year history.

Vivendi's experience in Tucuman is worrisome, especially considering that few countries have more experience of the problems inherent to water than Argentina. At least 60% of the country's water service is in private hands, the highest proportion in Latin America, though now both Chile and Brazil are moving fast to catch up. While Vivendi rails against arbitrary rule changes imposed after a change of government in Tucuman, it is clear that neither side was perfect. The company failed to put up the financial guarantees it had promised and made good on few promised investments during its tenure, resulting in worsening service.

Today, the Tucuman water system is back in state hands. The provincial governor allowed Vivendi out in October, though a World Bank arbitration panel is still considering the complaint by Vivendi.

One would think such high-profile problems would deter other governments from privatizing water services. But with private companies viewed as the only source of money to fix the region's pipes, privatization remains the path chosen by Latin governments—even if the politics of water is a delicate one.

Unlike privatizations of telephones, electricity, ports or roads,

privatizing water is no easy political game to play. The fact is, humans can live just three days without the stuff, which makes many people think and act differently about private ownership of water and its infrastructure. "Water is a social issue," says Camilo Rincon, a business development executive for Azurix, the new water subsidiary of U.S. energy concern Enron, "People believe that water is a gift of God and God forbid if someone else takes control." Adds Paulina Beato, an infrastructure specialist at the Inter-American Development Bank: "People feel that to bring the private sector into water is like selling their own daughter." "The best thing a politician can do is turn on a tap where there's never been running water," says Kevin Tynes, the regional head of water projects for Parsons, the U.S. engineering firm. "They don't like to lose control over that sort of power." Politics aside, a trickle of water privatizations is becoming a flood throughout Latin America. Faced with collapsing infrastructure and lacking the cash to carry out massive investments, national and provincial governments have opted to pass management of water and sewage services to private companies. There is no shortage of private bidders. French water operator Suez Lyonnaise des Eaux, and Vivendi, are leading contenders in any bid they enter, and new heavyweight Azurix, a unit of Enron, has just entered the fray.

Azurix, the new company that emerged after Enron paid \$2.3 billion for Wessex Water, a leading British water company, plans to springboard into the international water business, says Amanda Martin, Azurix's president of North and South American operations. Together with SAUR, another French water utility, Azurix led a consortium in June that put down \$150 million to take a 70% stake in the province of Mendoza's water and sewage company.

Although most of the area's 1.4 million residents are covered by existing services, the consortium plans to invest more than \$300 million over the first 25 years of the 95-year contract to cover population growth and network improvements.

Moreover, in a dig at both Vivendi and Lyonnaise, which demanded its first tariff increase barely a year after taking the Aguas Argentinas concession, Martin says Azurix will not be rushing to renegotiate. "I would say that the majority of our competitors are quick to argue that there has been a change in conditions, when it has been more of an ordinary circumstance that should have been foreseen," she says.

Call it the Tucuman lesson. No doubt Tucuman was an extreme example, but it's not the only one to have failed to live up to expectations.

Take the case of Aguas Argentinas, operated by Suez Lyonnaise. The 30-year concession, awarded in 1993, covers the city of Buenos Aires and some of the surrounding province. It is the largest private concession in the world, and many say it is the most successful private operation in Latin America to date.

At first glance, the sell-off has yielded a range of impressive results. The new operator has spent over \$1 billion through 1998 to meet investment targets, plowing in more than four times the amount spent by the company in the decade prior to privatization. Over the same period, it has increased the number of hook-ups to the water system by more than a quarter to 7.7 million and access to the sewerage system by almost a fifth to 5.8 million.

Just as important, it has begun the arduous task of overhauling the dilapidated system.

In spite of the investments, 3.5 million Buenos Aires residents are still without either water or sewerage, and Eduardo Epszteyn, director of the government supervisory body for the contract, known as Etoss, is not happy.

"The main goals set at privatization have not been met, in terms of the raising of quality standards or in expansion of the system," he says.

Aguas Argentinas public relations manager Fabian Falco tells a different story: "We inherited a technically deficient system guided by an investment policy made by managers that practically used garden hoses." But the main objectives of the concession have included neither a commitment to universal service nor improved service.

The contract was awarded to the consortium that offered the largest cut in tariffs, led by Lyonnaise offer of a 26.9% reduction. The new operator pays no fee for the use of existing installations and has invested only \$120 million of its own money. According to a study co-written by regulators, "The consortium's low capital risk in relation to the present value of income does

not provide incentive for the quick solution of conflicts or adherence to the agreed standards." Apart from minor fines, the main sanction that Etoss can impose is the doomsday option of revoking the contract. In practice, this has meant that missed targets have resulted in renegotiation of the contract. According to one local specialist, Suez Lyonnaise has faced exactly the same problems in the provinces of Santa Fe and Cordoba, where it has also won contracts. The outcome in each case has been renegotiation. "The company didn't learn," says the specialist, "or didn't want to learn." In the end, if there is doubt about whether privatization can fulfill objectives, Argentine regulator Epszteyn blames it on the failure to define clear goals. "The bidding (for the Buenos Aires water system) was practically an emergency response due to the crisis state that the state company was in. There was no time to discuss the issues of sanitation or environmental policy and how much we wanted to pay for it." Unfortunately, most of the region's state water utilities face the same crisis.

That the world's top water companies lack foresight as they compete to undertake the coming overhaul of the region's water systems speaks volumes about the industry's difficulties. The issues will not be made clearer as long as merely providing basic sanitary infrastructure to the region's citizens remains a plausible platform for politicians. Azurix' Martin speaks for her competitors when she says her company is looking to "get the politics behind us." But that task is as easy as turning water into wine.

Copyright 1999 Freedom Communications, Inc.

⁸ 24 Apr 97 Conference Report: Scarc resources offer boundles opportunities: Global Water Report FT Bus Rep

"..... Thierry Baudon, managing director of Lyonnaise des Eaux's (LdE) international finance division, said that emerging markets offered 'the best opportunity for our future.' Baudon contrasted LdE's four separate contracts in Mexico - where 'the municipal authorities and the customers may find it difficult to get the benefits' - unfavourably with its Manila and Buenos Aires concessions, where 'the structuring by multilateral organisations has provided good incentives to reform the systems and everybody benefits'. One of the more interesting points of Baudon's presentation came with his defence of the Buenos Aires project under questioning from the floor. Regarding a potential re-negotiation of the original contract, he argued that 'relations are not tense, they are intense -- a contract is a living thing as social relationships change over time.' Baudon contended that the existing cross-subsidisation within the project is 'the name of the game,' making it 'easier to connect low-income customers in low-income areas.' Under the concession to date, he stressed that one million extra connections had been added and prices were still below the pre-privatisation level by 15% in real terms.

Pressed by Jon Lane, a director of Water Aid, as to how the poorest members of a city such as Buenos Aires - particularly those lacking land tenure and excluded from voting lists - might benefit from the concession model, Baudon explained that by building out the high-to-middle income areas first, this facilitated subsequent extensions into the lower income areas. 'There is no contradiction whatsoever between the private sector management of the facilities and the poor,' he concluded."

⁹ 234**01 Apr 1999 The Water Way.(Chilean privatization): LatinFinance PROMT (Q1:175).

Predicasts

Chile breaks the ice for what is expected to be the next wave of Latin American privatizations. Although the telecommunications and electric-power sectors have been dominating the privatization movement in Latin America, attention is now turning toward the next government-controlled industry likely to go to the auction block: water.

"Water is the last remaining bastion," said Lawson Steele, Latin America utilities analyst at Warburg Dillon Read.

Chile, the regional leader when it comes to transferring public assets to private hands, is again taking the reins by spearheading efforts to privatize its state-owned water and sewage companies - a move observers say may set a precedent for other countries in the region.

"The potential for water treatment in South America is huge; it could be an enormous sector like in the UK," added Steele. "(The privatization of Chilean water company Esva) is just the tip of the iceberg." Breaking the Ice In December, Chile undertook its first-ever privatization of a water and sewage company, Esva. Enersis, the Chilean electricity distributor, and Anglian water of the UK paid Dollars 138.4 million for 40% of the local water company.

The joint venture, called Aguas Puerto, will hold a minimum 35% stake in the company, with 10% offered to Esva employees and 10% floated as equity on the Santiago stock exchange. The government has retained a minority holding of 49%. Aguas Puerto is expected to implement a Dollars 230 million, four year investment program in Esva, which serves about 350 million clients in the southern city of Valparaiso.

"This is the start of a long chain of similar privatizations," said Valentin Carril, head of equity and economic research for Santander Investment Chile.

Esva is the first of Chile's 13 statewater companies to be privatized.

The remaining 12 water companies are due to be privatized over the next three years, and plans for 1999 include the sale of four more water companies, starting with Emos of Santiago, the largest water company in Chile. Emos serves about one million clients. If privatization plans remain on track, Chile can expect to reap close to Dollars 2 billion from water utilities this year. The sale of water companies Emos and Essal is expected to be completed during the first half of 1999, while second-half privatizations include Essel and Essbio. "People will see the privatization of Emos with more interest," said Santander's Carril. "If they are already looking (at the fact) that Chile privatized Esva, a company with 350 million clients, (Emos') privatization will make an even bigger headline." However, not all analysts are as optimistic as Carril. While David Hurd, regional equity analyst for Latin America at Merrill Lynch, does not downplay the importance of Chile's water sale, he does question how much noise these deals will make in other parts of the region.

"Aside from Esva and Emos, there may be 50 water companies in Chile, but none are of significant size," he said. "These are deals that won't even show up on your screen." Yet while there may be some truth to this--especially considering most Chilean water companies are relatively small, serving about 300,000 clients or less--many observers still say the sale of Esva will ripple throughout the region, regardless of the company's size.

"If Esva is successful, I'm sure we'll begin to feel some momentum developing," said Edward J. Sondey, managing director of US-based Atlantis Water Fund. "Chile traditionally has been a leader in moving toward market-oriented, private sector solutions. What we've seen is that companies get comfortable with the situation in Chile, and then they are able to expand beyond that. As a business model evolves there and succeeds, it can then be applied to other more challenging environments." Ricardo Milan, research analyst at Asset Chile in Santiago, agrees, saying that Esva's privatization "in some way" will have an impact on the privatization of Argentina's water company, OSBA.

This year the Argentine government is opening up concessions for OSBA, a provider of water and sewage services in the Buenos Aires province. Ten companies, including firms from France, Italy, Spain and the US, have expressed interest in the 30-year concession to operate OSBA, Argentina's second largest water utility with close to Dollars 100 million in annual revenues and a customer base of 3.5 million.

The company is said to require about Dollars 1.3 billion in initial investments and an additional investment of Dollars 500 million over the next five years.

Clogging the Flow Yet with a significant number of water privatizations expected to be completed by the end of this year, some industry insiders are questioning that timeframe. Critics say that many obstacles are still clogging up the privatization flow of water utilities in Latin America. "It's a slow process," said Merrill Lynch's Hurd, "a process that is a lot further behind than electricity." Atlantis' Sondey says that water privatization has grown in fits and starts in countries like Peru and Brazil, which have heightened expectations with announcements of large sales, only to cancel them because of political considerations. "This is why any time a deal is pulled off in the water sector, it tends to be big news," he noted.

Industry observers agree that political bickering has caused a series of delays and problems. The auction of Brazil's state water and sewage company in Rio de Janeiro, Cedae, is a case in point. At the end of last year, the sale of Cedae was postponed due to political disputes between the governor of the state and his recently elected successor.

So why are governments treading more carefully when it comes to privatizing water assets?

"Water is a more precarious asset," said Merrill Lynch's Hurd. "If you screw up on water supply,

your risk is pretty high." The good news, say experts, is that privatization is becoming more widely accepted, both politically and socially. "Typically, governments have been more conservative when turning to the water sector," agreed Atlantis' Sondey. "But in recent privatizations, like telecom, the numbers are so large that it's becoming politically more palatable to consider water. Now there is the political commitment that in fact the private sector can take responsibility for water." Added Santander's Carril: "Privatization is starting up again, the government is willing to do it. People are realizing that privatization is not such a terrible thing." Alternative Investments The private sector is also dipping its toes in water projects through partnerships with the state, primarily BOT (build-own-operate-transfer) projects and concessions.

"Firms can enter into a concession and have attractive rates of return on investment for 20 to 30 years with lower levels of risk (than full fledged participation)," said Mauricio Gutierrez, project manager for US-based Chemonics International consultants, adviser to the Colombian government on a 20-year water and sewage concession plan for the northern city of Monteria.

The Monteria project is the first of its kind in Colombia, according to Gutierrez. "We like to think of this project (in Monteria) as a model of private sector involvement, a model that will hopefully help solve the problems of water in low income cities," he said. "And there are thousands of cities like this in Latin America and the world." The international bidding process for the Monteria project is scheduled to begin in early April, with proposals and the awarding of the concession contract due in July and August, respectively. Gutierrez adds that about seven cities in Colombia are undergoing this same process. On top of that, cities in Argentina, Bolivia and Ecuador already have similar projects that are up and running.

"The model in Latin America has tended to be more BOT and concession versus privatization," said Sondey, who is also a senior vice president at Poseidon Resources Corporation, a US-based project developer focusing on water and wastewater and co-sponsor of the Atlantis Water Fund. "The obvious speculation is that governments feel that through a concession they are able to retain tighter control." Poseidon is involved in several BOT deals in Mexico and is also the largest equity contributor to two wastewater treatment projects, Cadereyta and Madero, estimated at about Dollars 34 million each. "These projects have been clear winners for the client, Pemex, and the environment. They are successful for us in terms of the relationships we have established with our clients and partners and from a financial standpoint," said Sondey. "There is an extremely attractive risk reward relationship." Outlook Whether it is a BOT, a concession, or a privatization, water sector activity in Latin America still faces several hurdles. Analysts say that aside from the political knots to untie, governments and investors alike must face the overlapping effects from Brazil's economic crisis, the so called Samba effect.

"I don't have huge expectations this year, predominately because there is still a huge question mark as to what's going to happen in Brazil," said Warburg's Steele. "Who will the buyers be? Who will give a credit line to buyer now that banks have an aversion to Brazil? It's all so much up in the air." However, Steele's final remarks are encouraging: "If Chile led the way in electricity, I don't see why it won't lead the way in water as well." COPYRIGHT 1999 Gale Group

¹⁰ 01 Apr 1999 DCR DOWNGRADES EMCALI TO 'BB+' - RATING WATCH - DOWN: PR
NEWSWIRE Reuter Textline (Q2:32) CHICAGO

Duff & Phelps Credit Rating Co. (DCR) has downgraded the rating of Empresas Municipales de Cali's (Emcali) local and foreign currency debt obligations to 'BB+' (Double-B-Plus) from 'BBB' (Triple-B) and placed the ratings on Rating Watch - Down

The downgrade and Rating Watch status reflect Emcali's current strained liquidity position and the increasing probability of a restructuring of bank debt and liabilities owed to certain members of the Colombian energy sector

Recent poor economic conditions in Colombia, and Cali in particular, have pressured Emcali's 1998 operating performance reducing the company's ability to meet monthly debt maturities and make timely payment to its suppliers of energy

Emcali, with the support of the mayor of Cali and the Minister of Energy, has initiated a strategy to divest its electric distribution business, including its purchased power agreement (PPA) with TermoEmcali, through a privatization process. Proceeds from the privatization would then be used to repay Emcali's bank and past due energy purchase obligations. As part of this strategy, Emcali will very soon seek to renegotiate its bank and energy sector obligations to extend the maturities until after the privatization of the electricity business is completed. There remains uncertainty regarding the ultimate outcome of the renegotiation process as well as the divestiture of the energy business

Emcali is the exclusive provider of electrical power services, water and sewer services and local exchange telephone services in the city of Cali, Colombia. The company is wholly owned by the city of Cali

SOURCE Duff & Phelps Credit Rating Co. -0-04/01/99 /CONTACT: Jason T. Todd, 312-368-3217, todd@dcrco.com, or Daniel R

¹¹ Business Wire ; 22-Jul-1999 01:21:25 am ; 600 words

NEW YORK--(BUSINESS WIRE)--Standard & Poor's--July 22, 1999--Standard & Poor's today revised its foreign and local currency rating outlooks on a total of 29 public and private sector Argentinean entities to negative from stable.

At the same time, Standard & Poor's placed the ratings of two companies, CEI Citicorp Holdings SA and SA Organizacion Coordinadora Argentina, on CreditWatch with negative implications. The rating status of 13 additional Argentinean entities rated by Standard & Poor's, including YPF Sociedad Anynima (foreign currency, triple-'B'-minus/Watch Pos/--), Astra Compania Argentina de Petroleo SA (foreign currency, triple-'B'-minus/Watch Pos/--), and Coto CICSA (double-'B'-minus/Stable/--), remains unchanged. These ratings already incorporate the concerns that Standard & Poor's outlines below.

Two intertwined factors are driving today's rating actions. One, Standard & Poor's views the economic environment in which the 31 affected entities are operating as substantially weaker than it was at the time of the last reviews, and, two, Standard & Poor's today revised the rating outlook on the Republic of Argentina to negative. Standard & Poor's believes that the 31 entities listed below face increasing risk due to the deterioration in the economic environment, which is expected to continue affecting local demand, production levels, and tax collections. In addition, weakened investor confidence has reduced the financial flexibility of Argentinean companies. Nevertheless, a stronger domestic financial system than existed during the Tequila crisis of 1994 to 1995 partially offsets concerns about refinancing risk. (Standard & Poor's will hold a telephone conference call on Wednesday, July 28, 1999, at 10 am eastern time to discuss today's rating actions on Argentinean entities. Please see separate press release to follow for dialing instructions)

Standard & Poor's said.-- CreditWire

FOREIGN/LOCAL CURRENCY OUTLOOKS REVISED TO NEGATIVE FROM STABLE.(EXCEPT WHERE OTHERWISE NOTED) To from

Arte Grafico Editorial Argentino, S.A. BBB-/Negative/-- BBB-/Stable/-- Buenos Aires, Province of(Foreign Currency only),BB/foreign currency, Negative/-- BB/Stable/-- Aguas Argentinas S.A. BBB-/Negative/-- BBB-/Stable-- Alto Palermo S.A. BB+/Negative/-- BB+/Stable-- Cablevisiyn SA BB/Negative/B BB/Stable/B Camuzzi Argentina SA BB/Negative/-- BB/Stable/-- Camuzzi Gas del Sur SA and Camuzzi Gas Pampeana SA BBB-/Negative/-- BBB-/Stable/-- Capex S.A. BB/Negative/-- BB/Stable/-- Compa+/-ia Latinoamericana de Infraestructura & Servicios SA BB-/Negative/-- BB-/Stable/-- Compa+/-ya Internacional de Telecomunicaciones SA BB/Negative/-- BB/Stable/-- Compa+/-ya de Radiocomunicaciones Myviles SA. BBB-/Negative BBB-/Stable/-- Compa+/-ya de Alimentos Fargo SA BB-/Negative/-- BB-/Stable/-- Compania de Transporte de Energia Electrica en Alta Tension TRANSENER S.A. BBB-/Negative/-- BBB-/Stable/-- Disco SA BB/Negative/-- BB/Stable/-- Empresa Distribuidora y Comercializadora Norte SA BBB-/Negative/-- BBB-/Stable/-- Imagen Satelital SA B+/Negative/-- B+/Stable/-- Impsat Corp BB-/Negative/-- BB-/Stable/-- IRSA Inversiones y Representaciones SA BB/Negative/-- BB/Stable/-- Mastellone Hermanos. SA B+/Negative/-- B+/Stable/-- Multicanal SA BB+/Negative/B BB+/Stable/B Supermercados Norte SA BB/Negative/-- BB/Stable/-- Pan American Energy LLC BBB-/Negative/-- BBB-/Stable/-- Perez Compac SA BBB-/Negative/-- BBB-/Stable/-- (Foreign Currency Only Sideco Americana SA BB/Negative/-- BB/Stable/-- Sodigas Pampeana SA and Sodigas Sur SA BB+/Negative/-- BB+/Stable/-- Telecom Argentina Stet-France Telecom SA BBB-/Negative/-- BBB-/Stable/-- Telefonica de Argentina SA BBB-/Negative/-- BBB-/Stable/-- (Foreign Currency only) Transportadora de Gas del Norte SA BBB-/Negative/-- BBB-/Stable/-- Transportadora de Gas del Sur SA BBB-/Negative/-- BBB-/Stable/--

FOREIGN AND LOCAL CURRENCY RATINGS PLACED ON NEGATIVE CREDITWATCH To From CEI Citicorp Holdings SA BB-/Watch Neg/-- BB-/Stable/-- Senior Unsecured (Foreign Currency) BB-/Watch Neg BB- SA Organizacion Coordinadora Argentina B+/Watch Neg/-- B+/Stable/-- THE FOLLOWING RATINGS REMAIN UNCHANGED: Acindar Industria Argentina de Aceros SA B+/Negative/-- Astra Compa+/-ya Argentina de Petroleo SA(Foreign Currency only) BBB-/Watch Pos/-- Autopistas del Sol SA foreign currency issue rating,BB-/Stable Coto CICSA BB-/Stable/-- CTI Holdings SA B+/Positive/-- Empresa Distribuidora Sur SA BBB-/Watch Neg/-- Industrias Metalurgicas Pescarmona SAICYF B+/Negative/-- Inversora Electrica de Buenos Aires SA BB-/Watch Neg/-- Metrogas SA BBB-/Negative/-- Supercanal Holdings SA D/--/-- Supercanal SA D/--/-- Ultrapetrol (Bahamas) LTD BB-/Negative/-- YPF Sociedad Anynima (Foreign Currency only) BBB-/Watch Pos/--

CONTACT: Sergio Fornero, Buenos Aires 54/114-326-5686

Bottom of Form

¹² 594**19 Mar 1999 WORLD BANK: MANAGING WORLD'S WATER RESOURCES REQUIRES PARTNERSHIPS, INNOVATIONS: M2 PRESSWIRE World Reporter (Q1:189) * World Bank highlights policies, programs, and initiatives on eve of World Water Day WASHINGTON -- The World Bank is investing in the water sector and working together with key private and public sector policymakers and water users to forge innovative partnerships and programs, according to an announcement ahead of World Water Day 1999 on March 22

Water is receiving increasing attention from the World Bank and other donors as issues of rising demand, declining availability, pollution, and the need for conservation grow in urgency. Since 1993, the Bank has invested \$16 billion in water-related projects, with over 180 new operations costing \$40 billion in 80 countries. The Bank's portfolio of water projects accounts for 14 percent of Bank lending. Between 1985 and 1998 the Bank invested more than \$33 billion in water-related projects

The Bank has been working since the mid-1980s on policies and strategies to better manage water resources, integrating the disparate and often competing uses of water (such as for water supply and sanitation, irrigation, hydro-power, industry and ecosystems) into a sustainable, holistic approach

The Bank's Operations Evaluation Department is conducting a major review of the implementation of the Bank's 1993 Water Resources Management Policy Paper as the Bank prepares to update its approach to the sector

Collaborating with other development institutions, including multilateral and bilateral development agencies, non-governmental organizations, and the private sector, is an essential aspect of the World Bank's support for the sector, as is the ability to share knowledge about best practices

Below is a sampling of some of the recent initiatives, programs, and partnering activities in water-related areas: International Watercourses - The Bank is currently supporting cooperation in a number of international basins, including the Aral Sea, the Mekong Basin, Lake Victoria, the Nile and the Senegal River. One channel for dealing with global water politics and transboundary cooperation is the Development Policy Forum, or DPF. In March 1998, the World Bank participated in a major international dialogue on water initiated by the German Foundation for International Development, which resulted in the Petersberg Declaration. In this Declaration, ministers, senior policymakers, researchers, and representatives from the private sector and NGOs agreed to take complementary actions to promote the improved management of shared water resources. They looked at such regional case studies as the experience with river basin management of the Rhine and Danube rivers; emerging water resources management issues in the Southern Africa Region; progress in cooperative management of the Mekong River in Southeast Asia; and current issues in international management in the Middle East with a focus on the Jordan River Basin. They agreed on an integrated approach that would include focus on cooperation at the regional level; support for international river basin commissions; and strengthening institutional frameworks

Nile Basin Initiative - The Nile Basin Initiative provides a forum for the 10 Nile riparian countries (the nations through which the Nile flows) to foster cooperative Nile waters development and management. As a result of intensive consultation, for the first time all riparian countries (except Eritrea) have formed a transitional institution consisting of a council of ministers, a technical advisory committee and a secretariat. The participants have adopted a Shared Vision which puts socio-economic development and shared benefits from common Nile waters at its center, and defined a process for the preparation of projects within a Strategic Action Program. This will include basin-wide capacity building ("shared vision") activities, as well as sub-basin investment projects by groups of riparian countries. As soon as an initial set of projects will have been prepared, the World Bank will convene a donor consortium to seek coordinated financing. The World Bank is working on the Nile Basin Initiative in partnership with the United Nations Development Program (UNDP) and the Canadian International Development Agency

Global Water Partnership - Set up in 1996 and with a Secretariat based in Stockholm, the Global Water Partnership (GWP) is an international network committed to sustainable water management. It includes representation from service users, service providers, and financiers. The GWP's Consultative Group is chaired by Ismail Serageldin, head of the World Commission on Water

and World Bank Vice President for Special Programs. The Bank participates along with the UNDP and a number of bilateral agencies as sponsors of the GWP

* The Partnership supports a Technical Advisory Committee of 12 leading water experts, as well as a Steering Committee with representation from several developing countries and key donor agencies supportive of water issues

* GWP's Secretariat helps develop ideas into fundable projects for presentation to donors. These include both global programs (such as the International Program for Technological Research in Irrigation and Drainage, executed by the FAO, and the Water and Sanitation Program, executed by the World Bank) and regional programs (including the African Water Utilities Partnership, and emerging Regional Water Partnerships in Southern Africa, South and South East Asia, Latin America, etc.) * The GWP is linked to Water Forum that serves as an independent venue for key stakeholders wishing to exchange information and explore topical issues

The Forum is maintained by the Stockholm Environment Institute with support from GWP and sponsored by the UNDP

Business Partners for Development (BPD) Water Cluster Initiative - The BPD Water Cluster initiative involves a group of private/public sector/civil society stakeholders who are taking on the challenge of how private concessionaires can provide water and sanitation services to the urban poor in ways that are sustainable as well as commercially viable

* The Cluster has convened several international meetings in the past 18 months. These sessions were co-convened by Gnrale des Eaux (Vivendi), WaterAid and the WBG, and chaired by WaterAid. Eight companies participated, along with nine representatives from civil society

* The Water Cluster will pursue seven focus projects: in Port-au-Prince, Haiti; Buenos Aires, Argentina; La Paz / El Alto, Bolivia; Cartagena, Colombia; Eastern Cape and Northern Province, South Africa; Pietermaritzburg, South Africa; and Jakarta, Indonesia. In all cases, operational costs of the projects are born by the sponsoring corporation, totaling approximately \$3 million per year

* A study visit is planned this month to the Buenos Aires project. Lessons from this visit will be shared with key players at a session "Partners to deliver water to the urban poor" to take place at a Water Forum in mid April (Washington, DC)

World Commission on Dams - The multi-stakeholder, 12-member World Commission on Dams (WCD) was launched in February 1998. This independent Commission is chaired by Professor Kader Asmal, Minister of Water Resources and Forest Affairs, South Africa. The WCD has a two-year mandate to review the development effectiveness of dams and develop internationally acceptable guidelines addressing central issues associated with the wide-spread controversies over dams. The WCD is scheduled to submit its final report to the international community in June 2000

* The WCD is looking at 8-12 in depth case-studies world-wide that will draw lessons on interactive/cumulative effects of large dams in basin areas, as well as data-base information on the non-focal dams in the basin

* The Commission is also conducting a cross-check analysis of a sample of 150+ large dams

* Thematic reviews will be performed on cross-cutting themes in the Social, Environmental, Financial/Economic, Institutional, and Options Assessment fields

* At the request of the Commission, the World Bank provides input and information to help WCD with its case studies, for example on Zambia/Zimbabwe (Kariba dam; Zambezi river), Thailand (Pak Mun dam; Mun/Mekong river), Pakistan (Tarbela dam; Indus river), Brazil (Itaipu or Tucuruí dam; Tocantins/Amazon river)

World Water Council -- Formed in 1996, the World Water Council (WWC) is a 175-member group of leading environmental policymakers, water ministers, scientists, and representatives of international agencies. WWC's President is Dr. Mahmoud Abu-Zeid, Egypt's Minister of Water and Public Works. The WWC is a water policy think tank dedicated to providing decision-makers with the advice and assistance on water issues of global magnitude. The WWC has formed a World Commission on Water for the 21st Century, a sub group that is formulating a "World Water Vision for Life and the Environment for the 21st Century." The Commission, which is co-sponsored by all major UN agencies, is chaired by Ismail Serageldin, who is also Chairman of the Global Water Partnership and Vice-President of the World Bank

WBI Water Policy Reform Program - The World Bank Institute, the Bank's training and teaching arm (formerly known as the Economic Development Institute, or EDI), has a program to help countries prepare and implement policy reforms leading to sustainable water resources

management, through capacity building and learning activities of various types. These activities include policy services (seminars and study tours) focused nationally for immediate impact, regional or worldwide events, and courses and training materials on water policy design implementation. For example, EDI is playing a lead role in the Africa Water Resources Management Initiative (AWRMI), which is bringing together African water ministers, donors, and other stakeholders to coordinate regional and national initiatives for improving water resource management in the region. The AWRMI will hold a major policy conference in Nairobi from May 24-27

UNDP-World Bank Water and Sanitation Program - The Water and Sanitation Program is an international partnership that has evolved over two decades and advocates a demand-based approach to the provision of safe water and sanitation in developing countries. The Program is organized into five regional teams in Africa, Asia and Latin America with resources concentrated in focus countries. The regional teams are supported by technical and administrative staff located in Washington, DC at the World Bank. Financing comes from 16 bilateral donor agencies, the United Nations Development Program (UNDP), the World Bank and from the countries themselves

¹³ Interpress 05 August 1999: ".....The World Bank had suspended a \$46 million loan for Corposana, the state water company, for having failed to advance in the process of deregulating sewage and water services...."

¹⁴ 25 Apr 97 Colombian wastewater scheme breaks new ground: International Trade Finance FT Bus Rep: Business/Finance (Q1:57)

A private sector wastewater treatment scheme in Colombia has notched up a series of new financing benchmarks, including, it is thought, the first ever participation by capital markets investors in a privately-funded water project.

A pounds 95m privately placed notes issue forms the mainstay of the pounds 125m first phase Aguas de Bogota development, located at the junction of the Bogota and Salitre Rivers in Bogota. To support the issue, the Inter American Development Bank (IADB) has extended a partial political risk guarantee to cover senior notes worth pounds 31.25m.

According to the IADB, this represents the first ever guarantee granted by a multilateral institution for project financing in Latin America.

Other landmarks for the IADB include the Washington-based agency's first guarantee for the private sector -- where it has previously participated only through its A/B loan structures -- and the first IADB private sector project where a private placement of securities has been utilised as the principal source of debt financing.

The partial risk guarantee provides protection for the new investors against restrictions on foreign exchange convertibility and compensation in the case of an early termination.

The IADB declined to reveal the source of investment or the tenor and pricing of the notes.

However, a spokesman said that a private financial agent will place the securities.

No date has been set for the placements.

IADB financing or future guarantees in the sector 'is a possibility'.

Local guarantee The 30-year own, operate and maintain concession lacks a central government guarantee, but guarantees for the scheme have been issued by the District of Bogota.

IADB requirements for government guarantees were first dropped in December 1996, when it provided its debut financing of a private water and sanitation project. This consisted of an pounds 85m loan to support the investment plan of Aguas Provinciales de Santa Fe, a private Argentine water and sewerage company.

Since 1994, the IADB has been authorised to lend up to 5 per cent of its resources directly to the private sector for infrastructure projects without a sovereign guarantee.

For the new project, the developing Bogotana de Aguas y Saneamiento (BAS) consortium -- comprising Lyonnaise des Eaux and Degremont, a Lyonnaise subsidiary -- has provided pounds 30m in equity.

The plant will process four cubic metres per second of wastewater from the Salitre River, removing sedimentation before discharging water back into the Bogota River. A second phase will purify the water through secondary or biological treatment.

Following the completion of the Salitre project, two further phases of the scheme are targeted.

These would involve cleaning waste from two other rivers that carry city sewage into the Bogota River, bringing the total value of the project to around pounds 800m, according to IADB officials.

¹⁵ 224**10 Apr 1999 LATIN AMERICAN WATER, FINDING FOUNTAINS OF OPPORTUNITY: EUROMONEY TRADE FINANCE AND BANKER INTERNATIONAL Reuter Textline (Q2:167). Economic turmoil in Latin America has led to the opening up of the region's water sector with more deals being offered to private investors.

Lucy Baker finds out where the opportunities exist and how deals are being financed.

According to a World Bank report, a quarter of Latin America's population is not connected to drinking water and about half is not linked to a wastewater treatment system. Over the next 10 years, investment needs for drinking water in the region will reach Dollars 5 billion and requirements for wastewater treatment will be Dollars 7 billion. This creates a wealth of opportunities for water companies through full or partial privatizations of state water boards, operating concessions and build-operate-transfer concessions.

French company Suez Lyonnaise des Eaux leads the way in successfully tapping these opportunities. The company acted as sponsor on the Dollars 130 million Salitre deal which signed in 1997. The project was, despite the painful pun, something of a watershed. It was the first wastewater plant in the world to be financed on the international capital markets and the first project financing to incorporate a partial risk guarantee from a multilateral development bank - the Inter-American Development Bank (IADB) - without a sovereign counter-guarantee.

The project showed that institutional investors are interested in financing water projects. But this appetite has inevitably reduced in the face of recent events such as the Brazil currency devaluation. Didier Retali, vice president of project finance at the company's Paris office, says: 'We will continue to tap the capital markets when we feel it is appropriate. But there is no set rule. We raise financing for our projects on a case-by-case basis.' Suez Lyonnaise has established a Dollars 300 million investment fund with GE Capital, Edison Capital, Banco de Galicia and Dexia. The fund, called the Lyonnaise Latin America Water Corporation (LYLAW), will support the expansion of Suez Lyonnaise in Latin America. The company has experience of a similar investment fund created in 1995 to support Lyonnaise Asia Water's activities in countries such as China, the Philippines and Malaysia.

Retali considers Argentina the most dynamic Latin American market and Suez Lyonnaise manages municipal water systems in Buenos Aires, Santa Fe and Cordoba. But the company is also present in Mexico, Colombia, Brazil and Bolivia. Retali says that Suez Lyonnaise prefers operating concessions to BOT deals.

Rival French company Vivendi is equally active, focusing on operating concessions in Brazil, Argentina, Colombia, Bolivia, Uruguay and Venezuela.

The group is sponsoring the Aguas Argentinas 1993-1998 investment programme, which signed on February 12 1999 along with Suez Lyonnaise, Aguas de Barcelona, International Finance Corporation, Banco de Galicia y Buenos Aires, Meeler and Anglian Water. The cost of the project is Dollars 90 million and proceeds are to finance a capital investment programme aimed at improving wastewater treatment in Buenos Aires. Financing consists of a Dollars 90 million loan-style floating rate note arranged by Chase Securities.

But if the French water companies have dominated the Latin American market since the early 1990s, other companies are starting to provide some healthy competition. Enron's water division, Azurix, is at the forefront. The company is active across Argentina, Brazil, Chile, Colombia, Panama, Peru, Bolivia and Venezuela. Most recently, Azurix acquired a joint interest in the Cancun water and wastewater concession in south west Mexico. Cancun is a resort area and 70% of the project's revenues will derive from hotels in dollar-denominated income streams.

Amanda Martin, Azurix's president for the Americas in Houston, Texas, says: 'Strategically the project is important because of the visibility it will provide for us.' Azurix's commitments for the Cancun project comprise Dollars 13.5 million in equity and the assumption of Dollars 25 million in financing and operational costs related to improvements in the wastewater treatment system. The company is pursuing other projects in the country and will consider concessions, acquisitions and pure project financings.

Another new entrant to the Latin American water market is the UK's Thames Water. Jim McGivern, business development director in Reading, says that firstly, from a macro perspective, the company is looking to diversify its project portfolio and balance its Asian and Middle East deals with Latin American projects. Secondly, the region's large population and metropolitan areas are comparable to the UK environment.

Thames Water is focusing its interests in Brazil, Chile and Peru but intends to expand its operations. 'You will see Thames Water's name wherever there are big projects,' says McGivern. 'Suez Lyonnaise was very successful in the early stages of financing water projects but other companies are catching them up.' Competitor Anglian Water has teamed up with Chilean group Enersis to run the first privatized water and wastewater company in Chile. Esval is the second largest water and wastewater supplier in the country and serves Vina del Mar and Concon, important tourist destinations along the Pacific coast, as well as the Valparaiso region. There are another 12 water and wastewater companies to be privatized in Chile over the next three years. Bids will be sought for Emos, Santiago's main water company and for Essac, which supplies water to Lagos in the south. Essel, in the central south of Rangua will be auctioned off in the third quarter of 1999 and Essbio, in the southern city of Concepcion, will be auctioned off in the fourth quarter of 1999. So far, no privatizations in Latin America have been financed on a non-recourse basis, but this could change with the innovative financing models being developed by market players.

One effect of the surge in water projects is the need to hire consultants to help assess opportunities and structure project concessions. 'Water is a political issue because it is fundamentally seen as a social good,' says David Lynn, director of infrastructure project finance at Chemonics International in Washington, US. This makes it necessary for an outsider to get involved to act as an independent adviser to local authorities and project developers. His company is working with the municipality of Montoria, Colombia to help structure a water concession. The number of municipal projects is increasing, but investors fear that some municipalities are not sufficiently credit-worthy offtakers and that financial guarantees may not be honoured. 'Since water projects are usually completed on a national level, help is needed to bring this down to the level of a municipality,' says Lynn. He hopes this pilot project will be used as a model for future concessions and to fill in the holes that investors have identified in other municipal projects. Another consultancy, Capital Advisers, a subsidiary of MBIA, the bond insurer, is conducting an analysis of Mexican water authorities for the government and the World Bank to eliminate barriers to private investment.

James Hass, managing principal at the company in Washington, says that since the existing systems were not designed for private sector participation, many of the necessary frameworks do not exist.

'The government is trying hard to make progress, but it is hard to know what problem to tackle first,' he says. For example tariffs need to be doubled or tripled to create self-sustaining water systems and this causes a political problem that makes it more difficult for private companies to participate: 'In one major city, the Mayor backed down after 40 days of strikes last time rates were raised,' says Hass.

For Suez Lyonnaise's Retali, the problem of tariffs demands both a contractual and a political response: 'We structure our contracts to achieve economic equilibrium, taking into account exchange rate fluctuations and possible legal changes.' From a political perspective, Retali says: 'We know it is difficult to increase water tariffs in a short period without showing service improvements. So in our risk assessment of a project, we check that the tariff we need will be acceptable to the population in terms of their revenue ratios.' Suez Lyonnaise does not take part in projects unless it is happy with the tariff arrangements.

Regulating the system Another important challenge for sponsors is that Latin American countries have widely divergent regulatory regimes. 'Certain authorities develop their regulatory regimes at the same time as their concessions,' says Azurix's Martin. Thames Water's McGivern agrees that there is a disparity between the countries. He considers that Chile's system is the most advanced and comparable to the UK model with countries like Brazil offering a slightly less developed structure.

McGivern says Peru is some way behind but the conditions are right for future improvements. But Peru can offer BOT schemes with opportunities for greenfield projects, so weaknesses in some areas can be offset by strengths in others.

Colombia has also legalized BOT concessions and has a good record of protecting the concessions it issues. In contrast, Mexico awarded about 50 BOTs in the early 1990s without providing adequate regulatory frameworks for the concessions. As a result, only five of these projects have successfully reached financial close.

Robert Lawrence is a partner at law firm Milbank, Tweed, Hadley & McCloy in Washington. The firm worked on the landmark Salitre transaction, and Lawrence says there are less regulatory

problems for non-recourse projects than for concession-based projects, as service contracts are competitively bid and because cost and pricing is based on this bidding process.

As in all emerging markets, the role of multilaterals in providing financing for projects is important. The IADB has structured innovative ways of providing funds and encourages private financial institutions to invest in Latin America.

In October 1998 the bank approved a Dollars 250 million investment to support a trust fund arrangement designed to draw new private money into Argentina's water and sanitation sector. The IADB will provide Dollars 100 million in start-up capital for two trust funds.

Banco de la Nacion, Argentina's state-owned commercial bank, will administer the funds and will try to raise additional investments from private banks.

The Argentine government will provide counterpart funding worth Dollars 320.6 million.

A spokesman at the IADB says: 'This is a novel mechanism never tried by the IADB before.'

Counterpart funding would normally be extended on a 1:1 basis in large Latin American countries such as Argentina and Brazil.

The IADB investment includes Dollars 50 million for institutional restructuring and for strengthening the regulatory capacity of Argentina's provincial agencies. The trust will also pay for consultants to help make the country's water companies commercially viable through concessions and privatizations.

And the overall programme will provide 280,000 new water supply or sewerage connections to more than one million inhabitants.

Activity in Latin America's water sector has reached a frenetic pace. But new markets are still opening up. As Project Finance goes to press, the International Finance Corporation has announced that it will invest up to Dollars 16 million in the Aguas de Illimani concession, the first privately financed water project in Bolivia.

The IADB and Corporacion Andina de Fomento will provide parallel financing of up to Dollars 25 million. The investment in Aguas del Illimani, a consortium led by Suez Lyonnaise which operates the water and sanitation services in La Paz and El Alto under a 30-year concession, will support a project to improve the region's water and sewerage services and could provide a template for future projects in the country.

Ed Sondey, senior vice president of the US developer Poseidon Resources, which has operated projects such as the Dollars 35 million Madero wastewater treatment plant in Mexico's La Paz, sums up the mood of investors in Latin America: 'Water projects in the region have been progressing in fits and starts, but we believe that things are starting to get on a roll.' (c) Euromoney Publications PLC,

¹⁶ Euromoney 10 April 1999

¹⁷ 06 Aug 1999 INTERPRESS: FINANCE: WORLD WATER COMMISSION TRIES TO FILL ALL GLASSES: Asia Intelligence Wire (Q1:115) WASHINGTON, (Aug. 5) IPS - Some 1.2 billion poor people in developing countries pay on average 12 times more for water than do their better-off compatriots, say world water experts

And, cut off from municipal systems, the poor are forced to buy water off the back of a truck and often get a diseased swill responsible for some four million deaths per year, according to the multi-donor World Commission on Water for the Twenty-first Century

That is a gross injustice -- but also a business opportunity, says the group, which will meet in Stockholm Aug. 9-10 to discuss ways of raising \$31 \$35 billion that it says will be needed annually to provide universal access to water by the year 2010

"The poorest developing countries are unlikely to have the funds, even through international aid, to finance such development" and therefore must tap transnational corporations and domestic investors, according to a Commission statement

Otherwise, the number without safe water will rise to 2.3 billion by 2025, warns Commission Chairman Ismail Serageldin. Needs will be especially acute in cities, which face 160 percent population growth by 2030, compared with 10 percent in the countryside

The Commission's thrust toward commercialization of water supplies could well test the adage that "water has sank more grievances than wine," observers opined

Public workers in Paraguay have threatened a general strike over privatization plans, which they see as a union-busting effort. The World Bank, reportedly dissatisfied with stalled water deregulation, has suspended a \$46-million loan to the country, according to news reports

French water companies have met resentment in Argentina, where they have raised prices beyond agreed levels and threatened to cut off people who can't pay

South African workers and community groups have been fighting water privatization plans amid evidence that other public services -- including waste disposal -- have suffered after being sold "Clearly, unit costs of providing water must be reduced," says Serageldin, who also is a vice president at the World Bank

The poor nevertheless manage to find money for water and this can be parleyed into profits for reputable suppliers, Commission officials argue

"Although conventional wisdom holds that poor people cannot afford to pay for the household water they need, a survey shows that both rural and urban poor are willing to pay higher fees in order to have a reliable and safe water supply," says William Cosgrove, director of the World Water Vision Unit

This organization is drafting public policy guidelines and a list of private investment opportunities to be adopted next March

As it is, poor people pay five times the municipal rate for water in Abidjan, Cote d'Ivoire; 25 times more in Dhaka, Bangladesh; and 40 times more in Cairo, Egypt, according to the World Commission on Water

"They are paying so much that they can only afford to buy cups of water to drink, not 40 liters per day," the minimum necessary to meet basic human needs, says Commission consultant Arienne Naber

Private firms have waded into developing countries' water markets over the past decade with decidedly mixed results, Naber acknowledges

Many firms have sought out higher-end customers, leaving government to meet the needs of the poor but "if governments provide the right regulatory framework, they can ensure that services do reach the poor," she says

Setting the right framework will mean striking a balance between governments' duty to protect the public interest and private investors' demands for tax breaks and guarantees that water prices will not be controlled but allowed to float with the market

Proponents of privatization say it is necessary because governments no longer have the money to spend on water infrastructure and delivery

National co-financing of World Bank water projects fell from an average of 34 percent in the late 1980s to around 10 percent in the early 1990s, notes Naber, and the difference has had to be made up with increased private investment

Critics, however, say that the need to privatize is a consequence of misguided government priorities, exacerbated by the Third World debt crisis

Governments have had to spend more on debt servicing and less on public programs, says Brendan Martin, author of the 1993 book "In the Public Interest? Privatization and Public Sector Reform." "While recession, structural adjustment programs and other problems have undermined the ability of local authorities the world over to provide their communities with well-resourced integrated public services, a group of transnational companies has grown up on the strength of running those that can be paid for privately," according to Martin

Some firms have made inroads into the developing world thanks to contracts won under international loans, in return for 'tied aid' from their governments, and under agreements sealed during the transition from colonial rule

Cote d'Ivoire's urban water, for example, has been supplied by the local subsidiary of a French company ever since the West African country won independence in 1960

"We will probably never know" whether direct public provision would have worked better, says Martin, but the company relied heavily on public subsidies when the economy soared - and scaled back rather than forgo profits when falling world commodity prices hit the country's export earnings

"During the 1970s the state was prepared to subsidize water connections to house owners in poorer areas of the city but the program fell off in the early 1980s because of a shortage of public funds," according to Canadian researcher Richard Stren

As a result, "the rate of added connections fell from 8,000 per year in 1977 to 2,300 in 1982."

This happened just as farmers, faced with weak agricultural prices, flocked to Abidjan in search of jobs. Shanty towns mushroomed along the city's fringe and a swarm of vendors began trucking in water and gouging prices

If experience in Britain -- where water prices and the number of people disconnected for non-payment both zoomed upwards after deregulation in the early 1990s -- is any indication, "privatization of water offers no solution," Martin adds

¹⁸ 143**13 Jul 1999 Sabesp busca recursos federais - Sabesp is complaining about Brazilian restrictions on the water sector; it will invest about R\$370 mil in 1999: *Gazeta Mercantil Business and Industry (Q1:25)* Brazilian water company Sabesp complains about the federal government's credit restrictions for the sector. Sabesp stated that it paid R\$1 bil for the federal government last year and has R\$800 mil credits to receive from the Sao Paulo government and R\$730 mil ones from several cities in that state. Sabesp plans to invest some R\$370 mil this year to develop its services. It plans to make overall investments of R\$2.5 bil between 1999 and 2002. The company reported net profit of R\$542 mil last year. The devaluation of the Real generated losses of R\$800 mil in the first quarter of 1999, but the company reported net losses of R\$500 mil over the period. It predicts to post losses of R\$8 mil this year, out of a turnover of R\$3.398 bil. The company has R\$5 bil debts in the long term and R\$800 mil worth short-term debts.

¹⁹ 07 Oct 1997 BUENOS AIRES PROVINCE TO PRIVATIZE WATER FIRM: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:38)

By GUILLERMO HASKEL BUENOS AIRES

A new head of Buenos Aires Province's water and sewage firm OSBA took charge Tuesday with the task of leading a privatization which sources close to the government say will require about Dollars 1.0 billion of investments.

The new president of OSBA, Jose Romero, told Reuters hours after taking charge that the province, Argentina's largest, will call an international tender for a concession to run the company by the second half of next year. Romero headed the privatization earlier this year of the province's electricity firm ESEBA, which earned the provincial government Dollars 1.4 billion - notably more than it had expected. Some ESEBA businesses are still awaiting sale.

During the ESEBA road show last year in Europe and the United States, provincial government officials also made contacts with firms potentially interested in OSBA.

Companies from Argentina, France, Britain, Italy, Spain and the United States have already expressed interest.

'According to the law the term of the concession is for 30 years, but we will analyze whether it can be extended,' the new OSBA chief said in a telephone interview.

'It will have a strong influence on the cash flow of the concessionaire, and its extension could be used to increase the amount of mandatory work to be done,' Romero said.

He declined to say how much the government expected to get for OSBA, or the investments that would be required from the concessionaire, but sources close to the administration of Gov. Eduardo Duhalde estimated the investment at Dollars 1.0 billion.

OSBA has Dollars 90-Dollars 100 million in annual revenues from 3.5 million customers - expected to grow to five million in 15 years.

Romero said the government was in talks with some 25-30 local councils in the province that are in charge of water and sewage services, to convince them to delegate the service to the province central government for the privatization.

Any of OSBA's 2,600 employees not kept on by the tender winners will be transferred to other public-sector jobs, offered voluntary or early retirement or given help to set their own small businesses, Romero said.

²⁰ 05 Dec 1997 ARGENTINA: OBRAS SANITARIAS TO BE PRIVATIZED IN BUENOS AIRES: SABI (SOUTH AMERICAN BUSINESS INFORMATION) World Reporter (Q1:17)Abstracted from: La Nacion

The regional government of Buenos Aires is to complete the privatization of the water & sewage concern OSBA (Obras Sanitarias de Buenos Aires), a US\$100mil turnover company that supplies services to 78 municipalities and 3.5mil inhabitants in the Buenos Aires province. There is need to expand infrastructure to meet demand from 5mil consumers in the near future. OSBA has a network of 8,600 Km of water and 5,600 Km of sewage pipes, with 450,000 connections for water and 338,000 for sewage services.

²¹ 01 Jul 1999 OSBA SOLD TO AZURIX (INVERTIRAN EN OBRAS SANITARIAS U\$S 500 MILLONES EN CINCO ANOS): AMBITO FINANCIERO World Reporter (Q1:24) The Argentinian provincial government of Buenos Aires has sold off its last public services asset, OSBA (Obras Sanitarias de Buenos Aires), the water utility, to the US group Azurix for 438m pesos. The US group is committed to investing 500m pesos over the next five years in expanding the drinking water network and drainage. The concession runs for 30 years and total investments will come to at least 1.3bn pesos and improve networks by over 40 per cent. Tariffs will only rise if Azurix meets targets laid down by the provincial authorities. A new group ORBAS will oversee the transitional period.

²² 08 Jul 1999 OSBA RECEIVES 1 BID FOR 6TH SUB-REGION -ARGENTINA: BUSINESS AMERICAS World Reporter (Q1:27) July 6, 1999

A consortium of Spain's Aguas de Bilbao and Argentina's Sideco today submitted the sole bid, US\$1.26mn, for a 30-year concession to operate the sixth sub-region of Buenos Aires provincial waterworks company Osba, privatization committee president Dr. Mario Saccones told BNA. Saccones had no comment to make about the seemingly low amount offered, saying the privatization committee would study the offer and make an official announcement on Wednesday (Jul.7). The sixth sub-region serves more than 1 million people.

The qualified companies that failed to present offers were France's Saur International with Spain's Aguas de Valencia, Spain's Urbaser with Dycasa, and France's Lyonnaise des Eaux.

In May Enron waterworks affiliate, US-based Azurix, won the concession to operate the first five OSBA sub-regions with a US\$438mn offer, assuming control June 30.

²³ 01 Aug 1999 Aguas de Misiones.(Brief Article)(Statistical Data Included): Project Finance Predicasts PROMT (Q1:20) The concession for this project will begin on July 15 1999. Status: The project tender has been awarded

Location: Province of Misiones, north-east Argentina

Sponsors: Urbaser, Dycasa and Urbaser Argentina -- all subsidiaries of the Dragados Group.

Bidding contractors: FCC/Vivendi, Azurix Misiones and Sagua

Cost: Dollars 40 million

Operator: Urbaser

Concession period: 30 years

Description: The concession involves providing drinking water and sewerage services in the towns of Posadas and Garupa. The project is structured on a build-operate-transfer basis. The plant serves 300,000 people and has annual consumption of 37 million cubic metres. The World Bank has supervised the bidding process and will provide Dollars 20 million to upgrade the sewage collection and sludge treatment plants.

²⁴ 207**18 Jun 1999 S&P RATES AGUAS ARGENTINAS' DOLLARS 120M LOAN PRELIM `BBB-': BUSINESS WIRE Reuter Textline (Q2:88) NEW YORK-(BUSINESS WIRE)-S&P CreditWire-June 18, 1999-Standard & Poor's today assigned its preliminary triple-'B'-minus rating to Aguas Argentinas SA's Dollars 120 million Inter-American Development Bank (IADB) B loan. The company's corporate credit rating is triple-'B'-minus. The preliminary rating on the company's participation in a loan granted by the bank is based on two fundamentals. The first is Aguas' triple-'B'-minus local currency corporate credit rating, which

reflects the company's ability to fully meet its financial commitments in a timely manner, absent convertibility and transfer risk, and to continue operating as a provider of water and sewage services. The second fundamental is the IADB's de facto preferred creditor status vis-a-vis the government of Argentina. This implies, in the opinion of Standard & Poor's, that the Argentine government would not interfere with the transfer or convertibility of local currency to US dollars due under the loan obligation

Of the total financing granted to Aguas, Dollars 40 million (the A loan; unrated by Standard & Poor's) will be financed from funds of the IADB, of which Dollars 14 million will be funded concurrently with the B loan funding. The full B loan amount of Dollars 120 million will be participated out to institutional investors or commercial lenders. The financing will have a maturity of 12 years. Interest and principal will be paid semiannually. Principal payments will begin on the eighth anniversary of the loan. The IADB may securitize a portion of the A loan provided that it holds at least 10% of the financing's principal outstanding at all times during the life of the transaction (including the A and the B loan)

The transaction meets Standard & Poor's criteria to benefit from the IADB preferred creditor status umbrella:

-- The IADB will remain as the lender of record for the entire term of the financing; -- The loan documents contain cross defaults signifying that a default on the A loan will cause a default on the B loan and vice versa (and if the A loan is declared immediately due and payable, the B loan is automatically declared immediately due and payable); and -- The IADB will maintain a material economic stake in the financing, which in this case is demonstrated by a commitment to hold at least 10% of the entire financing to maturity. While the rating on the transaction is based on Aguas' credit strength and the preferred creditor status of the IADB, the structure also benefits from the company's right to compensation if the concession agreement to provide water and sewage services is terminated by the Argentine government or by the company for any reason. The creditworthiness of the termination compensation to be paid by the government is consistent with the double-'B' foreign currency sovereign credit rating of the Argentine government

Additionally, the transaction benefits from a sponsors support agreement whereby a portion of the debt not covered by the final settlement of all claims between Argentina and the company arising from the termination compensation claim of Aguas will become the financial obligation of the sponsors and be allocated to them on a pro rata basis. The bankruptcy or insolvency of any of the sponsors that own at least 25% of Aguas' shares would cause an event of default under the loan. Specifically, these sponsors are Suez Lyonnais des Eaux SA (single- 'A'-plus/Stable) and Sociedad General de Aguas de Barcelona (double- 'A'-minus/Stable)

Aguas, a water and sewage utility that was privatized in 1993, will use the proceeds from the loans to finance a portion of its investment program of upgrading the water and sewage treatment facilities for the Greater Buenos Aires region. Aguas has the exclusive 30-year concession, granted in 1993, to operate the water and sewage systems of Greater Buenos Aires, which consists of the city of Buenos Aires and 17 surrounding districts. The concession covers a population of roughly 9.5 million, or nearly 30% of the nation's total. The area served contains the highest per capita income in the country

The IADB was founded in 1959 as a regional multilateral development bank

Currently, it is owned by 26 regional developing members, two regional developed members (the US and Canada), and 18 nonregional members. The bank lends and provides technical assistance for specific projects aimed at improving economic and social development in the region

The purpose of the IADB's B loan program is to facilitate the flow of private capital to entities based in Latin America. To further this goal and allow it to maximize the use of its limited resources, the bank sells participations in some of the loans it extends. In all such financings, the IADB remains the lender of record and the administrative agent

While no government has a legally binding agreement to treat the IADB as a preferred creditor in the case of a shortage of foreign exchange, member countries have to date permitted debtors to service their foreign currency denominated A and B loans issued by the IADB, even when exchange controls were imposed. Whereas private sector external debt was often assumed by Latin American sovereigns during the reschedulings of the 1980s, no IADB loan, including the portion taken by participants, has to date been included in the general rescheduling or restructuring of a country's foreign debt

Every borrowing member, except Peru in the late 1980s, has treated the bank as a preferred creditor. Other sovereigns have had arrearages during the financial crises of the 1980s, but all have since become current. It is the bank's policy to not voluntarily renegotiate loans or take part in debt rescheduling agreements

A copy of Standard & Poor's complete presale report for this transaction is available on Standard & Poor's Ratings Services Web site at www.standardandpoors.com/ratings. Select Presale Reports, Structured Finance Presales-ABS. - CreditWire CONTACT: Carlos Costa, New York, 212/438-2433 Copyright 1999, Standard & Poor's Ratings Services

²⁵ 16 Jun 1998 LA NACION (ARGENTINA): ARGENTINA: FUNDING WATER & SEWAGE SERVICES FOR TUCUMAN: SABI (SOUTH AMERICAN BUSINESS INFORMATION) World Reporter (Q1:23)

The regional government of Tucuman province, Argentina, is fighting next to the World Bank to secure a US\$100mil funding to develop the water & sewage services in the province. There is a conflict pending upon the service involving the government and Aguas de Aconquija, a company controlled by Generale des Eaux that won the license to manage it, but later on had the concession suspended due to the poor services rendered by it. The government of Tucuman has put temporarily the sewage & water services under the management of the sanitary agency EOHNSa (Ente Nacional de Obras Hidricas y Saneamiento) until a legal decision is taken.

²⁶ 10 Jun 1998 INTERVIEW-GLE DES EAUX SEEKS DAMAGES IN ARGENTINA: REUTER SERVICE - LATIN AMERICA Reuter Textline (Q2:51) NEWS

By GUILLERMO HASKEL BUENOS AIRES

France's Generale des Eaux said it would seek hundreds of millions of dollars in compensation from Argentina in a dispute with a province over a water supply agreement.

Carlos Rodriguez Drake, general manager of Generale des Eaux's water and sewage firm Aguas del Aconquija, told Reuters the Tucuman province government acted in an 'aberrant and medieval' way by imposing an 18-month extension unilaterally.

It has complained to the Washington-based International Centre for Settlement of Investment Disputes (ICSID) under an Argentine-French agreement protecting reciprocal investments.

'The ICSID or any other court will eventually give its final say about who is right in the contract revocation and the amount in damages,' Rodriguez Drake said in an interview, adding the company would seek 'several hundreds of millions of dollars.'

'It will leave wounds either to the company or the province, but in the end, wounds will be measured in money.'

The company argues the dispute has hurt its revenue and threatened its image.

Last August, the firm withdrew from a 30-year concession, accusing the Tucuman government of changing the terms of the contract signed in 1995. But Tucuman Gov. Antonio Bussi then rejected by decree the terms of the revocation, said it was the province that was rescinding the contract and imposed the extension, Rodriguez Drake said.

Bussi also accused the company of supplying contaminated water, an allegation denied by Generale des Eaux. Tucuman authorities were also unhappy over rates charged by the firm.

'We are chained to the oars by this outrageous decision,' Rodriguez Drake said of the unilateral contract extension.

The dispute lies with the national government rather than with the province since the federal government signed the agreement with France. The ruling of the arbitration body will be mandatory and cannot be appealed.

Argentine government officials were immediately unavailable for comment. ICSID was expected to decide by late June whether the case should be handled by it or any other court.

He said the company 'could have shut the plants, packed up, taken a plane and left the country, but it did not so for the sake of responsibility and prestige.'

He said Argentina's central government held talks with the province to help resolve the issue as 'the government sees the issue affecting not only Tucuman's prestige but also Argentina's'

Rodriguez Drake said the dispute cost the company Dollars 60 million in negative cash flow last year and required an additional injection of about Dollars 2.5 million per month from Generale des Eaux, taking total negative cash flow to about Dollars 75 million.

Aguas del Aconquija is 85 percent owned by Generale des Eaux. Spain's Dragados y Construcciones Argentine affiliate Dycasa has an additional 5 percent while the remaining 10 percent is in the hands of

²⁷ 12 Jun 1998 ARGENTINA COULD CALL NEW TUCUMAN WATER AUCTION: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:28) BUENOS AIRES

Argentina's government said Friday it could call a new auction for water distribution rights in Tucuman to resolve a conflict between the province and the current water supplier there.

Aguas del Aconquija, a subsidiary of France's Generale des Eaux, won a similar auction five years ago to distribute drinking water in the northern Argentine province.

The company withdrew from the concession last August accusing the Tucuman government of changing the terms of the contract signed in 1995.

But the province did not allow the company to cancel the contract and forced it to continue distributing water - spurring Aguas del Aconquija to take Tucuman to an international dispute-settlement tribunal.

'We foresee the possibility of a solution in the short term which would consist of calling a new auction,' Rogelio Frigerio, undersecretary of regional programming, told reporters.

Until a new provider is found, 'we would undergo a transition period in which the company (Aguas del Aconquija) would be freed from service and preparations would be made for a new auction,' he said.

'We are discussing who would be in charge of the service during the transition,' Frigerio added.

An executive at Aguas del Aconquija told Reuters Thursday that the company would sue the Argentine government for hundreds of millions of dollars in damages.

Tucuman Gov. Antonio Bussi met with Argentina's Economy Minister Roque Fernandez Friday morning in order to find a solution to the conflict.

²⁸ 27 Jun 97 FRENCH AND ARGENTINES WIN LA PAZ WATER CONCESSION: REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:28)

LA PAZ A French and Argentine-led group has won a 30-year contract in Bolivia to manage and develop the drinking water and sewage systems of La Paz, Bolivia's Capitalization Secretary Edgar Saravia said Friday.

The winning consortium Aguas del Illimani, controlled by Suez Lyonnaise Des Eaux with Argentina's Comercial del Plata, Meller SA and Ardusa SA, and Bolivian firms BICSA y CONNAL, made the sole bid offering to invest Dollars 350 million over the 30-year concession.

Suez Lyonnaise said in a statement from Paris that it had a 35 percent stake in the consortium and expected the deal to generate Dollars 20 million in its first year of operation, and Dollars 1.1 billion over the lifetime of the concession.

The company said its Argentine partners have 40 percent of the consortium, the Bolivians 20 percent and the engineering firm Connal five percent.

Another consortium, the US-led International Waters, pulled out of the bidding at the last moment, Saravia said.

The Bolivian official said the contract requires Aguas del Illimani to ensure that by the year 2001 the entire La Paz and neighboring El Alto area, with a combined population of 1.6 million, are provided with drinking water and sewage systems.

²⁹ 07 Jul 97 International Market Insight Reports: Bolivia, May/Jun '97: French Firm To Administer La Paz Water Works: Asia Intelligence Wire (Q1:26)

U.S. And Foreign Commercial Service (Us&Fcs) Telegraphic Report From The American Embassy In La Paz The French Company Lyonnaise Des Aux, In A Consortium With Argentine And Bolivian Participation, Won The Rights To Administer The Municipal Water And Sewer Company Of La Paz (Samapa). The French Firm Pledged To Make New Water Service Connections To At Least 71,752 Households In El Alto And Other Surrounding Areas Of La Paz, And Plans To Invest Approximately Usdol 350 Million During Its Thirty- Year Concession To Operate Samapa. The Adjudication Of Samapa Ends A Struggle Between The Gob's Ministry Of Capitalization, Which Carried Out Samapa's Transfer, And La Paz Civic Leaders, Who Have Organized Public Protests In An Effort To Maintain The Municipality's Control Over The Water Company. The Privatization Of Samapa's Management Should Result In A Much-Needed Expansion Of Water And Sewer Services To The Poorest Areas Of La Paz And El Alto.

³⁰ 04 Aug 1999 SPAIN'S ABENGOA WINS BOLIVIA CONTRACT - REPORT: REUTER NEWS SERVICE - WESTERN EUROPE Reuter Textline (Q2:23) MADRID
Spanish engineering group Abengoa in partnership with International Water of the United States and several Bolivian construction companies has won a 2.52 billion euro (Dollars 2.72 billion) water supply and treatment contract in the Bolivian city of Cochabamba, Spanish daily Expansion reported on Wednesday
Abengoa's share of the project is 25.5 percent, the report said
No one at Abengoa was immediately available to confirm the report
The winning consortium, Aguas del Tunari, will have a 40 year concession in the city of 600,000 inhabitants worth 63 million euros a year. The partners will invest 290 million euros in infrastructure, including building a dam in the river Tunari
At 0930 GMT, Abengoa shares had gained 2.8 percent to 25.50 euros, while the main stock index was down 0.17 percent
(Madrid newsroom, +34 91 585 2160, madrid.newsroom@reuters.com))
(C) Reuters Limited 1999 Reuter News Service - Western Europe. Reuter Economic News, 04/08/1999
REUTR REUTWE LBA 04/08/1999 Reuter Textline Categories: C33 Contracts/Orders Companies: ABGOG ABENGOA (SPAIN) US SIC: P1629 Heavy Construction, NEC. P4941 Water Supply P4971 Irrigation Systems TL Industry: 117000 Water supply 15020045 Water Treatment, Pumping and Supply Station Construction Country: BO Bolivia, South America. ES Spain, EC US United States of America TL Country: BOL Bolivia. SPAIN Spain. USA United States
Copyright (C) Reuters Limited 1980-1997 51**04 Aug 1999 BOLIVIA: COCHABAMBA WATER CONTRACT.: Expansion (Spain) Predicasts PROMT (Q1:15) The government of Bolivia has awarded the water supply contract for Cochabamba to the Aguas del Tunari consortium, made up of local companies, Abengoa of Spain and Bechtel of the US. The deal will involve investment of USDollars 300mn by Tunari in a reservoir on the river Tunari and a 20.7 kilometre water tunnel. Revenues over the 40-year life of the concession are expected to total USDollars 65mn per year

³¹ 04 Jul 97 News: The Americas: La Paz in water sell-off: Americas News Digest: Financial Times (Q1:20)

By SALLY BOWEN LIMA La Paz in water sell-off The outgoing Bolivian government of President Gonzalo Sanchez de Lozada has privatised Samapa, the water and sewerage company serving the capital, La Paz, and its satellite city, El Alto, despite considerable political opposition. The 30-year concession was won by a consortium dominated by Lyonnaise des Eaux of France, and a subsidiary of Argentina's Comercial del Plata. The new operators will have to invest a minimum of Dollars 360m in upgrading the utility. The even more controversial privatisation of Semapa, the water company for Cochabamba, is still scheduled to go ahead early next month.

³² 15**13 Aug 1999 PRIVATISATION BEGINS IN THE SANITATION SECTOR (PRIVATIZACAO COMECA NA AREA DE SANEAMENTO): O GLOBO World Reporter (Q1:24) The Brazilian National Development Bank (BNDES) will today (13/08/99) begin the privatisation process of state water and sanitation companies. Jose Luiz Osorio, the bank's privatisation director, yesterday said that the rules of the tender for the contract to advise the government of the sale of Companhia Pernambucana de Agua e Saneamento (Compesa), of the state of Pernambuco, will be available today to consultancy companies interested in the contract.

According to the federal government, private companies will have to invest R\$9 billion over the period between 1999 and 2002 to improve the sector's services. Of the total, 60 per cent will be invested in cities with more than 200,000 inhabitants.

13 Aug 1999 BRAZIL TO PRIVATIZE WATER AND SEWAGE BY 2000 - RPT: BRAZILIAN FINANCIAL WIRE World Reporter (Q1:23) Brasilia, 13 - Jose Luis Osorio, privatization director for Brazil's

Development Bank (BNDES), said Thursday that the sale of state-owned water and sewage systems will be carried out next year. Osorio also said, following a meeting of the National Privatization Council (CND), that the bidding terms for Compesa, based in the Northeastern state of Pernambuco, will be released this Friday. Next week, the BNDES will unveil bidding terms for Embasa, which serves the Northeastern state of Bahia. Another BNDES official, Estela Palombo, said that negotiations are also underway for the privatization of state-owned water and sewage companies in the states of Rio Grande do Norte and Espirito Santo. She also estimated that the sector will require \$40 billion in investments over the next five to six years. (By Adriana Fernandes)

05 Jul 1999 Setor de Saneamento comeca a ser privatizado - Brazil will acquire a number of regional water companies, such as Embasa; it plans to privatize them eventually: Gazeta Mercantil Business and Industry (Q1:19) The Brazilian federal government will acquire some regional water companies and privatize them in the future. BNDES will start today to define the sale of the Bahia-based water company Embasa (Empresa Baiana de Aguas e Saneamento). According to BNDES' study, the national water sector will demand investments of R\$40bil over the next 10 years. The Espirito Santo-based water company Cesan is to be privatized until the end of 1999. Its sale will be advised by a consortium led by Santander.

³³ 03 Aug 1999 RIO SETS UTILITY SALE DATE AMID WATER RIGHTS FIGHT: REUTER SERVICE - LATIN AMERICA Reuter Textline (Q2:30) RIO DE JANEIRO Rio's mayor pushed ahead with the privatisation of the city's sewage and water systems, publishing a sale date Tuesday in order to speed up a court ruling on whether the state or the city control them.

NEWS

An official bulletin from the office of Rio Mayor Luiz Paulo Conde on Tuesday published the sale model, scheduling the privatisation auction for October 2 with no minimum price.

But the state of Rio de Janeiro had started its own privatisation process for state water utility Cia de Aguas e Esgotos do Rio de Janeiro (Cedae) last year, until it was stopped by court injunctions from suits filed by municipalities claiming their rights over the water concession.

The issue is now before the Supreme Federal Tribunal (STF), which is weighing whether it is local or state governments that can sell municipal water and sewage concession rights.

'The mayor believes that with this initiative the decision of the STF can be accelerated,' a spokeswoman from the mayor's office told Reuters. 'City Hall

cannot keep waiting, there are regions without any sewage facilities.' The court's press office did not have any information on the timetable for the Cedae case.

The city's sale proposal offers concession rights to the water and sewage services in Sepetiba, Jacarepagua and its fashionable beachfront neighbourhoods, which have been plagued this year by sewage leaks from its ageing systems.

The concession would be for 25 years with the bid offering the lowest rates winning. 'The main objective is to reduce the rates,' the spokeswoman said.

³⁴ 15 Jun 1998 GAZETA MERCANTIL LATINO AMERICANA: ACQUISITION (ACQUISICO DE EMPRESA): GAZETA MERCANTIL World Reporter (Q1:21)

French telecommunication companies, the French water company Vivendi, which is better known as Generale des Eaux, and two Brazilian partners have acquired a stake in the Brazilian state owned water and sanitation company Sanepar, for \$218 million. Vivendi has already announced plans to invest \$65 million in Sanepar, which is being partially privatised and has an annual turnover of more than \$400 million. The company supplies water to 7.2 million people in the southern state of Parana.

³⁵ 19 Oct 1997 Empresa francesa atua em Limeira: Folha de Sao Paulo Business and Industry (Q1:17) Aguas de Limeira, a joint venture teaming CBPO and Lyonnaise des Eaux, has got in August 1995 the 30 years concession to manage water & sewage services at Limeira, Sao Paulo state, with a proposal to invest R\$130mil. Over the first year Aguas de Limeira invested R\$15.4mil, and slashed the labor force from 440 to 220 employees, reducing leaks. The successful experience encouraged Aguas de Limeira to bid for other services being tendered in medium sized cities throughout Brazil.

³⁶ 25 Jun 1998 CHILE: REGULATIONS FOR PRIVATIZATION OF SANITARY COMPANIES APPROVED: INTERNATIONAL MARKET INSIGHT REPORTS AsiaIntelligence Wire (Q1:45)

The new General Law for Sanitary Services was promulgated on February 5, 1998. After two years in the Chilean Congress, the regulations for the privatization of the sanitary companies were approved and it is expected that investments of 2.5 billion dollars will be made during the five years, mainly in wastewater treatment.

The approved law authorizes the Chilean Government to privatize up to 65 percent of the sanitary companies and the GOC will control the remaining 35 percent. However, the Government agreed with the political parties of the Concertacion, that Presidente Frei would only privatize up to 55 percent during his administration. The new law for the sanitary sector, which seeks to assure Chilean consumers "a quality service for a fair price", prohibits the simultaneous presence of two concessionaires of monopoly public services (sanitary, electrical or communications services at the same time) in the same area of coverage and the participation of companies that already provide a specific service to 50 percent of the total number of clients in the country.

Some of the Chilean companies that have expressed interest in this privatization process are Chilgener, CMPC, Claro group, Said group, Sigdo Koppers group, and the constructing companies Besalco and Delta. The foreign companies interested include Lyonnaise des Eaux and Compagnie General des Eaux (France), By Water, Thames Water, Anglian Water, Severn Trent and Internacional Water (U.K.), Aguas de Barcelona and Aguas de Valencia (Spain).

During 1998, the sanitary companies ESVAL, ESSEL and ESSAT will call for bids to incorporate private capitals into their companies. The first

sanitary company to be privatized will be ESVAL. Studies are currently being completed to determine terms for bid specifications. These studies must also determine the proper percentage of privatization. A "road show" for ESVAL is planned to take place in Europe and the U.S. during the second semester of 1998.

³⁷ 234**01 Apr 1999 The Water Way.(Chilean privatization): LatinFinance Predicasts
PROMT (Q1:175).

Chile breaks the ice for what is expected to be the next wave of Latin American privatizations. Although the telecommunications and electric-power sectors have been dominating the privatization movement in Latin America, attention is now turning toward the next government-controlled industry likely to go to the auction block: water.

"Water is the last remaining bastion," said Lawson Steele, Latin America utilities analyst at Warburg Dillon Read.

Chile, the regional leader when it comes to transferring public assets to private hands, is again taking the reins by spearheading efforts to privatize its state-owned water and sewage companies—a move observers say may set a precedent for other countries in the region.

"The potential for water treatment in South America is huge; it could be an enormous sector like in the UK," added Steele. "(The privatization of Chilean water company Esval) is just the tip of the iceberg." Breaking the Ice In December, Chile undertook its first-ever privatization of a water and sewage company, Esval. Enersis, the Chilean electricity distributor, and Anglian water of the UK paid Dollars 138.4 million for 40% of the local water company.

The joint venture, called Aguas Puerto, will hold a minimum 35% stake in the company, with 10% offered to Esval employees and 10% floated as equity on the Santiago stock exchange. The government has retained a minority holding of 49%. Aguas Puerto is expected to implement a Dollars 230 million, four year investment program in Esval, which serves about 350 million clients in the southern city of Valparaiso.

³⁸ Jan 1999 VALPO WATER UTILITY SOLD OFF. - Anglian Waters and Enersis Chile lead consortium that buys 40% stake in Empresa de Obras Sanitarias de Valparaiso: South America Report Business and Industry (Q1:24). A consortium led by Enersis Chile S.A. and Britain's Anglian Waters has successfully bid \$138.4 million for a 40% interest in Empresa de Obras Sanitarias de Valparaiso (Esval), a state-owned water and sewage utility. Esval has 350,000 customers and needs \$250 million in investments over the next five years. The privatization comes one year after approval of a bill allowing the government to sell up to 65% of state-owned sanitation companies. Details: Eduardo Novoa, chief development officer, Enersis Chile S.A., Santo Domingo 789, Ofic. #253, Santiago. Tel: +56 2 633-2453.

³⁹ 28 May 1998 LATIN AMERICA AND THE CARIBBEAN: Chile to privatise Esval - Esval will be sold off by the Chilean government by end-1998: a controlling 35% interest will be sold to a single private operator: Financial Times USA Edition. Financial Times Business and Industry (Q1:37)

Byline: Imogen Mark in Santiago

Dateline: Santiago

Chile is to privatise its second biggest water company, Esval, by the end of the year. Announcing the plans on Tuesday, the government confirmed that it would offer a controlling 35 per cent stake to a single private operator, 10 per cent to the workforce, and a further 10 per cent to private investors via the Santiago stock market.

However, the government has emphasised that its main aim is not to raise money from the sale but to attract experienced operators to develop and finance much needed new investments. Esval has 320,000 clients in the region of Valparaiso, Chile's main port and second biggest urban area.

There are already more than a dozen national and foreign companies interested in Esval, including UK, French and Spanish interests. An adviser to one group estimates that it could be worth as much as \$500m, in which case the bids for the controlling stake could be up to \$175m.

However, the value of the bids will depend partly on how much scope the new owner will have for example, in reducing the workforce. The unions oppose

the sale, and the government has also faced opposition from its own supporters. By law it must keep a minimum 35 per cent of all the water boards, but may allow this to be diluted gradually by future capital increases.

⁴⁰ **SABI (SOUTH AMERICAN BUSINESS INFORMATION): EL MERCURIO (CHILE): CHILE: ESVAL LOST PESOS\$12BIL IN 1ST SEMESTER** 100% match; El Mercurio (Chile) - SABI ; 05-Aug-1999 04:43:17 pm ; 75 words
The Chilean water company Esval reported losses of Pesos\$7.133bil in 1998 and Pesos\$12bil in the 1st semester of 1999. In 1997, the company had made a profit of Pesos\$6.724bil. The company will invest Pesos\$50bil between 2000 and 2003 to reduce the pollution of the Aconcagua river. Besides, it will invest Pesos\$10bil between 2000 and 2001 to develop water services in the northern coast of the V Region.

⁴¹ 58**15 Jul 1999 Venta de Essal a Iberdrola supero ampliamente previsiones de Corfo - Iberdrola acquired a 51% stake in Chilean water company Essal by offering US\$93.6 mil: El Diario Business and Industry (Q1:31). Iberdrola won the privatization of the Chilean water company Essal with an offer of US\$93.6 mil for a 51% stake in it. The second largest offer of US\$70 mil was made by Aguas de Portugal, followed by Vivendi associated with Fomento de Construcciones (US\$68.8 mil), and Union Fenosa (US\$46.6 mil). Chile's SEA (Sistema Administrador de Empresas) coordinated the privatization of Essal that supplies water to 120,000 customers. The government will keep a 35% stake in Essal, while another 10% will be sold to employees. Iberdrola has been playing as a multi utility services company in South America, and wants to have a presence in Chile, where it is a shareholder of the power plants Electroandina and Colbun. Next Iberdrola looks for the opportunities in the privatization of Essbio, the water company of Bio zone, scheduled to end 1999 early 2000. Essal had sales of US\$4.4 mil in the first quarter of 1999 (Jan - March) and should invest US\$95.3 mil until 2002, and Iberdrola has estimated investments of US\$120 mil over the next years in sewage treatment plants. The next sanitary privatization scheduled in Chile is Essel, operating in the Central region, to be sold off in October.

⁴² BUSINESS NEWS AMERICAS World Reporter (Q1:41) August 2, 1999 Chile's three waterworks privatizations to date have been overwhelmingly successful due to the companies' good operative conditions, the growing importance for private companies of the waterworks sector and the minimum profit margin guaranteed by the state, Chile's State Business Administrator SAE president Eduardo Arriagada told BNA. This year SAE has successfully sold 42% of Santiago-based waterworks Emos to the Aguas Metropolitanas consortium, formed by Spain's Agbar and France's Lyonnaise des Eaux, for US\$964mn, and 51% of Region X-based Essal to Spain's Iberdrola for US\$93.5mn on July 14. Both offers doubled the SAE's minimum price and add to 1998's sale of Region V-based Esval to the Aguas Puerto consortium for US\$138mn. Iberdrola's offer was considerably higher than the next bid and could reflect the energy-producer's eagerness to enter into the waterworks sector, Arriagada said. The need for the integration of private investors into Chile's waterworks has come about due to a lack of internal finances, he explained. Two more waterworks privatizations are scheduled for this year: 45% of Region VI's Essel, set for the first half of November, and Region VIII's Essbio. The amount of Essbio for sale and the final auction date have not been determined. Local politicians have criticized the sale of Essbio. Instead they have demanded a concession or Build-Operate-Transfer contracts for the company. Arriagada told BNA that the SAE is investigating the best way to channel private capital into the company, personally believing that a sale structure similar to the 35% sale of Esval is the most likely. All sales of waterworks companies includes offering 10% to the workers and the placing of 10% of shares on the local stock market. During 1H2000 SAE will put Region VII's Essam and Region IX's Essar under the hammer, Arriagada concluded.

⁴³ 24 Jun 1999 MESSIER ATTACKS LYONNAISE AND AGBAR (MESSIER ARREMETE CONTRA LYONNAISE Y AGBAR): EXPANSION World Reporter (Q1:29) Jean-Marie Messier, the chairman and managing director of Vivendi, the French group, who made his first public appearance yesterday (23/06/99) as a board member of FCC, the Spanish construction group, stated after the meeting that certain companies are willing to pay more than the value of a company in order to win a bid. Messier was referring to the privatisation of Emos, the water management company in Santiago de Chile. Messier stated that FCC and Vivendi had bid \$1.4bn (1.312bn euros, Pta218.4bn) for Emos, while the winning consortium, led by Agbar and Suez-Lyonnaise des Eaux, bid \$1bn more (937.58m euros, Pta156bn). With regard to the joint venture between FCC and

Vivendi in Latin America, Messier stated that joint investments in other countries were a possibility, and that the merger of Anaya and Havas Interactive will enable the company to develop educational software in Spanish. 103

⁴⁴ 93**21 Jun 1999 Lo que se Espera de la Emos Privatizada - Aguas Metropolitanas to invest in sewage treatment in Chile; plans to set up three water treatment plants by 2009: Estrategia Business and Industry (Q1:27). Aguas Metropolitanas, the consortium that won the privatization of the Chilean water and sewage company Emos with an offer of US\$964 mil for a 42% majority stake in it, has outlined plans to invest in the sewage treatment. The concession to operate Emos was given for over 25 years, and from 1999-2002 Aguas Argentinas should invest US\$607.8 mil and US\$1.9 bil over the next 10 years. The sanitary services agency SISS expects Emos to expand the treatment of wastewater that reaches only 19% nationwide, and a mere 3% in Santiago. Also from the 1,691 industrial plants in Santiago, only 120 have residues treatment systems. The first step will be to set up three water treatment plants by 2009. The first will be at Southern Santiago involving investments of US\$200 mil, and will be able to meet the demand of 28.9% of the city inhabitants. Other plants are scheduled for Zanjón in 2004, and Mapocho 2009.

⁴⁵ 86**24 Jun 1999 Emos adjudico a firma francesa la construccion de nueva planta - Emos hired OTV to set up a sewage treatment plant at Southern Santiago; project is estimated at US\$46.4mil: El Diario Business and Industry (Q1:17). The recently privatized water & sewage major Emos has hired OTV, a subsidiary of Vivendi, to set up a sewage treatment plant at Southern Santiago. The project, the first of three plants to set up by Emos, is estimated at US\$46.4mil, and when completed by 2001 will meet demand of 1.2mil inhabitants in the Chilean capital.

⁴⁶ 15 Jun 1999 COMPANIES & FINANCE: EUROPE: Franco-Spanish group wins bid for Emos UTILITIES EUROPEAN COMPANIES HAVE BEEN ON A BUYING SPREE IN THE AMERICAS: - Suez Lyonnaise des Eaux and Aguas de Barcelona acquired a 42% interest in Empresa Metropolitana de Obras Sanitarias: Financial Times London Edition. Financial Times Business and Industry (Q1:78) Suez Lyonnaise des Eaux (France), the environmental services and utilities group, led a Franco-Spanish group in acquiring Empresa Metropolitana de Obras Sanitarias (Emos) (Santiago, Chile). Suez Lyonnaise and Aguas de Barcelona (Spain) will pay \$957 mil for a 42% interest in the state-owned water utility, which serves 5 mil users in Santiago. The deal continues a series of water privatization contracts for US, UK and French companies in Chile. Suez expects the development of water treatment facilities will cost \$2 bil in the next 10 years. Emos transmits 530 cu m/year to 35% of the populace of Chile. It has a 17,000 km network. Just 3% of waste water is treated. Suez expects Emos to post twice its present \$160 mil in sales in the next 10 years. Byline: Samer Iskandar in Paris and Andrew Taylor in London Dateline: Paris, London A Franco-Spanish group led by Suez Lyonnaise des Eaux, the French utilities and environmental services group, has emerged as the victor in one of the world's largest water privatisations. Suez Lyonnaise and Aguas de Barcelona of Spain, in which Suez is the leading shareholder, agreed to pay \$957m for 42 per cent of Empresa Metropolitana de Obras Sanitarias (Emos), the state-owned water utility supplying 5m customers in Santiago, Chile's capital. Suez said in terms of numbers of customers the deal was the sixth largest contract awarded to a private sector water company. Rivals claimed the group offered about \$150m more than two other consortia bidding for the stake, sold by privatisation agency SAE. One bidder was a joint venture between Thames Water, the UK water company, Electricite de Portugal, the Portuguese power company, and Iberdrola, the Spanish electricity utility. The other was a joint venture between Vivendi, the French multiple utility, and Fomento de Construcciones y Contratas, the Spanish construction group. The defeat of Vivendi will be particularly satisfying for Suez, which earlier this month was beaten by its French rival for the partial sale of Berlin's municipal water company in Europe's largest water privatisation. A group led by Vivendi bid Euro1.69bn (\$1.77bn) for 49.9 per cent of the Berlin company. The deals are the latest in a series of water privatisation contracts awarded to French, UK and US groups. Thames Water last week announced a 30-year contract, expected to generate sales of \$1.8bn, to provide water to 3m people in the state of Johor in Malaysia. Azurix, the water investment company controlled by Enron, the US energy group, was last month named preferred bidder for a

\$438.6m concession to supply water services to Buenos Aires. Suez said yesterday it would assist in the development of water treatment facilities in Santiago, expected to cost \$2bn over the next decade. Gerard Mestrallet, Suez chief executive, said the deal confirmed its position "as world leader in water management". Emos supplies 530m cubic metres a year to 35 per cent of Chile's population, through its 17,000 km network but only 3 per cent of waste water is treated. A union appeal against the sale was rejected last week by Santiago's Appeals Court. Some politicians, including members of the ruling coalition, also objected. Suez predicts Emos's sales will more than double in the next decade from the current \$160m. A constant level of profitability, of roughly one-third of total sales, is guaranteed by the state.

⁴⁷ 14 Jun 1999 SANTIAGO WATER COMPANY SOLD AT RECORD PRICE: RATE HIKES AND WATER RATIONING PREDICTED: CHIPS World Reporter (Q1:81) In by far the largest privatization deal in Chilean history, a Spanish French consortium owned in part by Spanish holding company Endesa Espana won the bidding Friday for 42 percent of Santiago metropolitan region water and sewer company Emos for US\$964 million. The price offered by Aguas Metropolitana was more than double the government's bottom line price of US\$420 million. The second largest bid was by the British-Portuguese-Spanish consortium Andes Sur Limitado. The sale took place despite recent strenuous objections by all the parties in the ruling Concertacion coalition as well as Emos workers. One of their main objections was that they didn't think Emos would get a good price given the current recession. But Finance Minister Eduardo Aninat hailed the sale, saying, "the high price Emos brought reveals the confidence foreign investors have in the Chilean economy." And he further noted "a certain discrepancy between the perspective sown by a few businessmen (in Chile) and the general expectations held by foreign businesses regarding potential in our country" The winning consortium is owned by Aguas Barcelonas (Agbar) and Suez Lyonnaise de Eaux. Agbar Latin American Director Alfredo Noma said his company would operate the franchise. The company has been in Chile for six years, operating on the south central coast and controlling the southern Region X water and sewer service, Aguas Decima. Suez is the largest water systems company in the world, and it runs the greater Buenos Aires water service. Aguas Metropolitana will have the right to appoint four of the seven members of the Emos board of directors. Suez Lyonnaise de Eaux indirectly controls 47.6 percent of Agbar, and Endesa Espana, also owner of top Chilean electricity- sector holding company Enersis and Chile's largest energy generating firm Endesa Chile, holds 11.7 percent of Agbar. Government Secretary General Jorge Arrate addressed the issue of further foreign control of Chile's economy on Friday: "The nationality of the bidders doesn't influence our decision, but rather the economic strength and the efficiency with which they can carry out the work they have promised" However, Chamber of Deputies Finance Commission President Pablo Lorenzini said he would request revisions in the water utility law to avoid the situation of overlapping ownership and service cuts that the privatized electricity industry now finds itself in. And fellow Christian Democrat Dep. Luis Pareto strongly criticized his party for abandoning the principles of Christian humanism. He said he didn't think a privatized Emos would provide the service, especially to poor people, that it has previously, and that he expected to see water rationing as well as rate hikes in coming months. Emos President Sergio Saavedra concurred with the possibility of rate hikes, saying potable water rates would probably go up 8 to 12 percent next year. The Emos privatization is expected to take until late September. Some 10 percent of Emos stock will be available to private stock market investors for 90 days, and Emos workers will have a year to purchase another 10 percent of the shares. Corfo, the current state owner of Emos, will keep 38 percent. Emos has 1.13 million potable water clients. Saavedra said the company's investment needs for the next three years would be met by the sale. The government will invest some US\$420 million of its return from the deal back into Emos, and total investment in Emos is expected to total US\$1.8 billion. Among the top investment priorities is a water treatment plant in southern Santiago. Emos is the second and largest Chilean water company to be sold by the government, and the last public service sector to be privatized. Three other regional water companies are scheduled to be sold this year.

⁴⁸ 15 Jun 1999 THE AMERICAS: Emos sell off leaves Frei in fresh disarray - Chilean water/sanitation company Emos was privatized on Friday; consortium set up by Aguas de Barcelona and Suez Lyonnaise des Eaux bid \$960 mil for controlling 42% stake: Financial Times London Edition. Financial Times Business and Industry (Q1:52) Byline: Luis Kaffman in Santiago Dateline: Santiago The privatisation of Emos, Santiago's water and sanitation company, has left Chile's coalition government in disarray,

underlining the lame-duck situation of President Eduardo Frei as his term nears its end next March. The deal went ahead as scheduled on Friday, despite a public call for its postponement, issued only a few days before by presidents of all four ruling Concertacion coalition parties. Aguas Metropolitanas, a consortium formed by Spain's Aguas de Barcelona and the French Suez Lyonnaise des Eaux, won the tender for a 42 per cent controlling stake in Emos with a bid of \$960m, well above the \$811m offered by a consortium led by Thames Water, the British group. Emos is by far the biggest water company in Chile, serving 5.3m people in the Santiago metropolitan region. Esval, the second largest, was privatised in December 1998, being won by a consortium formed by the now Spanish-controlled Enersis group (72 per cent) and the UK's Anglian Water (28 per cent) with a \$138m bid. The rebellion by the Concertacion against its government was ignored by President Frei, who pressed ahead with the sale, backed by the Ricardo Lagos, the Concertacion's socialist presidential candidate. This was not the first time the socialist and social democratic members of the Concertacion have appeared in public in opposition to the government. But it was the first time the Christian Democrats have joined in, leaving Mr Frei out on his own. Many in the Christian Democrats say he no longer deserves their loyalty because he did nothing to help Andres Zaldivar, the party's presidential candidate, in the Concertacion's primary election of May 30. They suspect he favoured a decisive victory for Mr Lagos to make sure the Concertacion remained united, keeping his chances of returning to the presidency in 2006. The rebellion was also a warning by the presidents of the socialist and social democratic parties (the PS, the PPD and the PRSD), to Mr Lagos that they should not be taken for granted. They resent being marginalised from the campaign.

⁴⁹ 11 Jun 1999 CHILEAN STATE WATER SYSTEMS COMPANY PARTLY PRIVATIZED: AGENCE FRANCE PRESSE World Reporter (Q1:43) ATTENTION ADDS details, quote /// The French-Spanish consortium Aguas Metropolitanas (AM) has bought a 42 percent stake in the state agency that runs Chile's drinking-water and sewage systems, a government official said Friday. The stake in the Chilean Empresa Metropolitana de Obras Sanitarias (EMOS) was bought by AM for 964 million dollars, according to the government's State Companies System Administrator (SAE). AM is a two-company consortium formed by Spain's Aguas de Barcelona and France's Suez Lyonnaise des Eaux. The AM bid beat offers from six other local and foreign consortiums. The remaining 57.56 percent equity in EMOS will remain in the hands of the government's Production Promotion Corporation (CORFO). With assets valued at 524.8 million dollars, Emos reported net profits of 52.3 million dollars in its 1998 fiscal year on 160.3 million dollars in sales, according to official figures. The part-privatization was effected despite strong political opposition. Lobbying efforts by top officials of the governing Coalition of Parties for Democracy had failed to persuade President Eduardo Frei to block or at least delay the transaction. Opponents to the sell-off held that there was no point in privatizing EMOS because it had been operating at a high level of efficiency and generating public revenue while in government hands. "The privatization of EMOS does not serve public welfare but in fact, on the contrary, exposes the public to the vagaries of the market and the voraciousness of huge private interests and transnational corporations," said Christian Democratic representative Luis Pareto.

⁵⁰ 186**12 May 1999 Concertacion pide detener la privatizacion de Essbio - Essbio, which will invest ChPe17.5 mil, is the subject of a privatization controversy: Estrategia Business and Industry (Q1:20). Some Congressmen oppose the privatization of the water company Essbio (Chile), which is scheduled to take place in 9/99 or 10/99. The dissenters claim that Essbio's sale makes no sense as Essbio already provides satisfactory services. They suggested BOT contracts to develop the company's services as an alternative to the privatization process.

Essbio, which operates in VIII region, had a surplus of ChPe6.929 bil in 1998 and forecasts ChPe8.2 bil for 1999. It provides sewer services for 275,000 clients and its water supply coverage reaches 99.2% of the population.

The company plans to invest ChPe17.5 bil in 1999.

⁵¹ 11 Aug 1999 CUT DEMANDS URGENT ACTION ON UNEMPLOYMENT: PROTESTS LARGELY PEACEFUL BUT THREAT OF GENERAL STRIKE REMAINS: CHIPS World Reporter (Q1:58) The Central Workers Union (CUT) gave the government 10 days to respond to its demands centered around improving unemployment benefits and halting privatization plans made Tuesday during a day of demonstrations, after which time union leaders are to consider calling a national

strike. The CUT protests took place in major cities across the country, and were focused in Santiago, where union leaders delivered a letter to President Eduardo Frei and over 7,000 people marched along the capital's main boulevard, the Alameda, in support of the CUT's demands. The action in Santiago started at 11 a.m. when CUT directors handed in a petition at La Moneda presidential palace, in which they made their demands known. Minor protests took place outside the building, with police forming cordons to push back protesters brandishing a CUT banner and chanting for a national strike. Later in the day, a largely peaceful and sometimes even festive march moved along the Alameda, ending at the central Plaza Italia, where CUT President Eitel Moraga made an extensive speech outlining the workers' demands. Moraga slammed the current labor system in Chile formulated under the military government and emphatically rejected both the proposed Protrac unemployment compensation plan and state privatizations, especially with regard to the sale of water and sewer companies such as the Metropolitan Region company Emos. Moraga called on the government to boost the education, health and housing budgets, to set up a national unemployment fund and raise joblessness subsidies by 75 percent. And the CUT head also took advantage of the opportunity to demand constitutional reform and the elimination of designated senators as well as the punishment of human rights violators and the resolution of the indigenous issue. After the speech, protesters dispersed without incident, although some 20 youths remained behind and lit bonfires blocking roads, which led to police intervention and one arrest. Reports of other isolated incidents came in from the capital's southern sectors, as well as the cities of Concepcion, where eight people were detained, and Antofagasta, where the governor's office suffered damage from objects thrown by protesters. The government remained tight-lipped in its reactions to the demonstrations, playing down threats of a national strike. But Interior Minister Raul Troncoso accused the Communist Party of "creating hotbeds of agitators" to stir up support for the CUT's calls for strike action, and Secretary General to the President Jose Miguel Insulza announced the Finance Ministry was looking into raising public spending to combat high unemployment rates. 20

⁵² 11 May 1999 NEW LEADER SEEKS TO REINVIGORATE THE CUT: MORAGA CRITICIZES PRIVATIZATION AND NEOLIBERALISM: CHIPS World Reporter (Q1:93) (Ed. note: Political observers were surprised when more than 10,000 workers turned out for the recent May 1 Labor Day celebrations organized by the Unified Workers Central (CUT), Chile's largest labor confederation. The CUT was controlled in the years just after Chile's return to democracy by leaders from the governing Concertacion political alliance, but the organization has been wracked by internal power struggles the past three years and recently elected Communist Party activist Eitel Moraga as its president. In the following interview Moraga, who spent many years in exile under the Pinochet regime, gives his views on labor issues in Chile). Q: Do you agree with the government's figures that there are 434,500 unemployed and that the unemployment rate is 7.5 percent? EM: We say that it's almost 700,000 and will soon be a million. Q: What do you think of the government's efforts to confront unemployment and mitigate its effects? EM: They haven't delivered any effective solution. For example, we don't want the unemployed worker to have to pay his mortgage, his children's tuition, for water and electricity, his loan payments. This is what the unemployed need, not a law that will take effect in one or more years, ... nor a reduction in interest rates. Q: And where would you get the resources to pay for these measures in hard times? EM: From copper, because it's one of this country's primary riches. In 1995 copper was at more than a dollar, ... so the copper reserve was established. Now the armed forces are getting it, while (state-owned copper company) Codelco has lowered workers' wages and isn't paying the bonus guaranteed by collective-bargaining agreements for more than 70 years. In 1998, Codelco had profits of more than US\$360 million, yet almost 80 percent of it was given to the armed forces, which suggests that the 19,000 employees are working for the military. Q: Are workers really interested in the Pinochet case? EM: Very much interested. Do you know how many union leaders were "disappeared" by the Pinochet government? ... More than 400. We were also exiled, tortured, killed... Pinochet privatized businesses, sent us into the streets, lowered our wages, changed the Labor Law; these are the strongest forms of discontent felt by labor toward the military dictatorship. This is why we applaud his current situation. Chile's democracy isn't going to come from other countries, but those countries aren't going to be accomplices to Chile disregard of human rights. Q: Do you accept the economic privatizations carried out by the recent governments? EM: The (Patricio) Aylwin administration (1989-1994) said the privatizations carried out by the Pinochet government would be reviewed. But the opposite has

happened, they're being confirmed... (current President Eduardo) Frei privatized power producer Colbun Machicura. . They don't know how to privatize in Chile, all they do is give it away... and they haven't understood that the government has to establish strong regulatory control. In Argentina, for example, after February's blackout, the companies were fined millions of dollars, and they had to reimburse consumers. In Chile the government advises us to buy candles and pray for rain. If they want to privatize, do a good job of it. We are fundamentally opposed to public sector privatization... and of Codelco. Q: Is it possible to make the CUT into what it was 25 years ago, when it was also led by the Communist Party? It now represents only 500,000 workers out of a total workforce of five million. EM: At that time the CUT had a leading role in Chilean society. We want the same today. Because we live in a recession, we feel the greatest discontent. Hence we need to be actors in this society, in the construction of a distinct country... Q: Are you an old-style Communist, or one ready to change just certain things? EM: The world has to change. I think there are major differences among Communists. Today we're more committed to constructing a socialism distinct from other countries in order to defeat the neoliberal model. Because this is the aspiration of many peoples... Q: The fact is, relations between workers and employers have changed... EM: And we want to change them. One of the major agreements is to confront the neoliberal model, which the pope called "savage capitalism." The union movement ought to stand up for this. This is our challenge and our strategic goal. This is what we're geared toward, and we are working with the support of all political currents and the entire political world.

⁵³ 08 Aug 1999 BUSINESS BRIEFS: CHIPS World Reporter (Q1:156) Today's top business stories: -- EMOS STRIKE MOVES INTO THIRD DAY. Blowing whistles and waving placards, Metropolitan Santiago water and sewer company (Emos) workers striking over privatization arrangements occupied and blocked offices throughout the capital Thursday, preventing customers from paying bills even if they needed their water supply reconnected. Some 1,600 technicians, administrative personnel and other workers went on strike "indefinitely" at noon Wednesday to protest reimbursement and other arrangements they are being offered under the terms of the recent nearly US\$1 billion privatization of the company, scheduled to take effect Sept. 15. The State Business Systems Administration (SAE) was reported to be considering the three unions' demand for better indemnities, but no talks were reported between the two sides. Unions say an agreement they signed several months ago with the SAE stipulated that in the event of privatization all workers would receive an indemnity of 30 days pay for each year of service, or 15 days pay for those who don't want to buy stock in the new company. But the SAE says Emos' offer of stock in the new company for all employees plus a 50 percent of pay for workers refusing the stock was consistent with its agreements. In reply to a customer's fears that her water would be turned off if she didn't pay her bill, a striker told her, "Don't worry, ma'am, the workers who cut off people's water are on strike." Routine water bill payments can be made at Servipag offices. 30

⁵⁴ 17 Aug 1999 BUSINESS BRIEFS: CHIPS World Reporter (Q1:174) Today's top business stories: -- -- EMOS WATER SERVICE STRIKE SETTLED. Employees of the Santiago Metropolitan water and sewer service (Emos) began returning to work Saturday after their three unions and the State Development Corporation (Corfo) reached an agreement on benefits and reimbursements to be paid to the 1,600 workers when the Emos privatization to a Spanish-French consortium is completed next month. To settle the 10-day strike Corfo conceded 12 additional days' pay in the indemnization rate. Workers will now receive 42 days worth of pay per year worked, a sum the government says will amount to some US\$50 million, depending on the number of workers opting to buy stock in the new company. By law employees may purchase a total of 10 percent of a privatized water company, and such workers would not receive the same rate of indemnization for the privatization. 11

⁵⁵ 14 Aug 1999 ESSEL APPROVES PRIVATIZATION INDEMNITY SCHEME - CHILE: BUSINESS NEWS AMERICAS World Reporter (Q1:17) August 13, 1999 The board of directors of Chilean state-controlled Region VI waterworks company Essel approved a worker indemnity payment scheme, agreed previously between Essel workers syndicates and Chile's state business administrator SAE, for the upcoming sale of 45% of Essel in November. Workers will have claims to indemnity payments of one month for each year worked in the company. Some US\$845,000 has been earmarked for the fund to protect workers during the privatization process

⁵⁶ 01 Apr 1999 *The Water Way*.(Chilean privatization): LatinFinance

..... "Firms can enter into a concession and have attractive rates of return on investment for 20 to 30 years with lower levels of risk (than full fledged participation)," said Mauricio Gutierrez, project manager for US-based Chemonics International consultants, adviser to the Colombian government on a 20-year water and sewage concession plan for the northern city of Monteria. The Monteria project is the first of its kind in Colombia, according to Gutierrez. "We like to think of this project (in Monteria) as a model of private sector involvement, a model that will hopefully help solve the problems of water in low income cities," he said. "And there are thousands of cities like this in Latin America and the world." The international bidding process for the Monteria project is scheduled to begin in early April, with proposals and the awarding of the concession contract due in July and August, respectively. Gutierrez adds that about seven cities in Colombia are undergoing this same process. On top of that, cities in Argentina, Bolivia and Ecuador already have similar projects that are up and running....."

⁵⁷ Expansion 06/02/99

ORIGINAL TEXT M ARTECHE. Barcelona El grupo Aguas de Barcelona (Agbar) constituira, a traves de Interagua, una empresa conjunta con el Gobierno cubano para explotar el servicio de agua potable y de saneamiento de toda la ciudad de La Habana, que cuenta con mas de 1.300.000 habitantes

El grupo Agbar, cuyos mayores accionistas son La Caixa y Suez-Lyonnaise des Eaux, ya prestaba servicio en Varadero y en el Oeste de La Habana. El acuerdo, suscrito ayer, supone extender el servicio al resto de la capital y a Cayo Coco

El convenio se ha materializado a traves de Interagua y el Instituto Nacional de Recursos Hidraulicos (INRH) de Cuba, que constituiran, al 50%, una sociedad mixta por un periodo de 25 anos. La empresa tendra un capital de ocho millones de dolares (7,055 millones de euros o 1.174 millones de pesetas)

Interagua tiene como mayor accionista a Agbar, con el 50%. El resto se reparte entre Endesa (35%) y Argentaria (15%)

El acuerdo marco contempla que el socio privado facilitara sendos creditos a la empresa mixta y al INRH para la mejora de las instalaciones". Los dos creditos, por importe de 5,29 millones de euros y 18,7 millones de euros, respectivamente, se devolveran en un plazo de 25 anos. El convenio fue ratificado por la viceministra de Inversiones Extranjeras, Marta Lomas, y el consejero delegado de Agbar, Josep Lluís Jove

El grupo Agbar suministra agua potable a casi 17 millones de personas fuera de Espana. Opera en Portugal, Marruecos, Colombia, Argentina, Chile y Uruguay. Recientemente, ha entrado tambien en Estados Unidos, con la toma del 10% del capital de la empresa californiana Western Waters. El grupo ha invertido 65,17 millones de euros (10.845 millones de pesetas) en ampliar su participacion accionarial en las empresas argentinas Aguas Argentinas y Aguas Cordobesas, de las que ha pasado a controlar, respectivamente, el 25% y el 15 por ciento

A su vez, Interagua ha invertido 4,2 millones de euros (704 millones de pesetas) en la toma de un 2,5% adicional de Aguas de Santa Fe, que opera en la region argentina del mismo nombre, con lo que controla ahora el 14,92% de la sociedad

Previsiones

En conjunto, el grupo Agbar, presidido por Ricard Fornesa, preve alcanzar este ano unos ingresos de explotacion de 1.712 millones de euros (284.879 millones de pesetas), con un resultado neto consolidado de 89 millones de euros (14.761 millones de pesetas). El ano pasado, el grupo obtuvo unos ingresos de explotacion de 1.482 millones de euros (246.615 millones de pesetas), un 26,9% mas. El resultado consolidado neto fue de 80 millones de euros (13.302 millones de pesetas), con un alza del 20,7%, segun cifras provisionales Source: Expansion, February 6, 1999, Page 10

⁵⁸ 15 Mar 1998 EL COMERCIO (ECUADOR): ECUADOR: CONAM OUTLINES PRIVATIZATION

OF WATER UTILITIES: SABI (SOUTH AMERICAN BUSINESS INFORMATION) World Reporter (Q1:22)

The country needs US\$5bil to meet their needs for drinking water. The Consejo Nacional de Modernizacisn (Conam) proposes that all environmental sanitation and drinking water services be transfer to the private sector. The Empresa Cantonal de Ag ua Potable y Alcantarillado de Guayaquil (Ecapag) called interested firms to grant concessions for production and

administration during 30 years. The winning bid will pay a deposit of US\$500,000 and a total of US\$1bil. Diego Monsalve, manager of the Colegio de Ingenieros Civiles del Azuay, claim that the privatizations of Ecuador's drinking water services is a viable project because at the same time that they will improve the quality of the service, it will no longer be a burden for the state. However, the moves are polemical

⁵⁹ 383**12 May 1999 INDUSTRY SECTOR ANALYSIS: ECUADOR: WATER SUPPLY & DISTRIBUTION EQUIP. (MOR) MARKET: Asia Intelligence Wire (Q1:401) By AMPARO MENESES NOTE: In response to our clients' requests for more timely information, the following is a slimmed down version of the Industry Sector Analysis (ISA) format. This Market Overview Report (MOR) format has been proposed and is being tested as a replacement for the current ISA format by several Innovation 2003 Posts. We welcome your comments. Please e-mail Valerie.Evans@mail.doc.com SUMMARY The market for water supply and distribution equipment is directly related to the existence of water and sewage projects. Industry experts predict an estimated 40% decrease in the market during 1999 due to the current economic recession. The total market for 1999 is estimated at USD 35 million, representing a decrease of 40% compared to USD 59 million in 1998. Imports for 1999 are estimated at USD 7.2 million. Cautious predictions for 2000 include three percent total market growth, assuming the government dedicates funds to carry out water projects in medium-size cities. This report focuses on: steel pipes; ductile iron pipes; PVC pipes; valves; pumps; and water meters. The U.S. dominates the import market with 53% market share in 1999 (USD 3.7 million), which is expected to grow at 5% during the next year. Principal competitors are: Japan; Brazil; Italy; Germany; Spain; Argentina; and Colombia. Domestic manufacture of PVC pipe, competitively priced and of good quality, is replacing steel and ductile iron pipes. Best prospects are: valves; pumps; and water meters. Market Overview The demand for potable water and sewage services is far greater than the existing infrastructure, thus creating a demand for water supply and distribution equipment. There is local manufacture of steel and PVC pipes and valves. However, local production is for smaller pipes and valves; therefore, the market offers good potential for U.S. suppliers as their products are highly regarded for quality and performance. Overall water coverage is estimated at 68 percent in urban areas and at 48 percent in rural areas. Sewage services are available in 45 percent of urban areas, while 50 percent of the rural areas are served by latrines. Potable water and sewage services coverage in Ecuador's major cities is as follows: City Water/ Water/ Sewage/ Sewage/ Urban Rural Urban Rural Quito 90% 70% 70% 50% Guayaquil 65% -- 50% -- Cuenca 97.6% 54.2% 93% 53.8% The institutions responsible for providing water and sewage services are the municipalities. Lack of financing and political problems have precluded them from meeting the level of demand. All major projects are financed with international loans. Access to international credit takes time and depends on the country's financial situation. With the exception of the major cities, the majority of the 214 municipalities do not have experience in international transactions, and are not familiar with the lending process; therefore, water and sewage projects are delayed since they are financed with their own limited budgets. Lack of funding has created a highly price sensitive market. Due to inefficient water service, a growing number of small water projects are being implemented by private local investors, especially in the urban areas. Residents in rural areas have organized water committees which administer their own funds, plus those of the government, to implement and manage the community's water and sewage projects. These factors have made it clear that the concession of water and sewage services offers a good alternative. However, the municipalities must ban the existing water subsidy in order to attract foreign concessionaires. The subsidy percentage varies city to city. The final price includes not only production costs, but also a percentage of water waste which can be as high as 45 percent. The Municipal Development Project carried out by Ecuador's State Bank (Banco de Desarrollo - BEDE) has assisted the municipalities in developing the necessary skills to identify, develop, and execute water and sewage projects. The BEDE is one of the institutions financing public urban investment in environmental sanitation and urban infrastructure, with loans from the Inter-American Development Bank (IADB); World Bank (WB); and the Andean Finance Corporation (CAF). A USD 207 million loan from these three sources is underway. In addition, BEDE has obtained the following non reimbursable loans: USD 5 million from GTZ of Germany; USD 3 million from the

Spanish government; and DM 18 million from Germany's KfW. The Social Emergency Fund (FISE) is the other public institution financing public rural investment for small projects up to USD 250,000 with non-reimbursable loans, using IADB and WB funds

The demand for equipment is tied to the existence of water projects

Therefore, U.S. suppliers may wish to explore financing alternatives to better serve the needs of a demand that lacks funding; and to prevent third country competition from gaining market share thanks to their aggressive financing which includes: government to government loans; non-reimbursable loans; donations; etc

Given the water deficit, government officials estimate a potential water market of USD 3 billion in order to provide efficient potable water services to urban and rural areas, creating a potential estimated demand of USD 1.9 billion for equipment, depending on availability of financing

Due to Ecuador's banking crisis, imports during 1999 will be negatively affected by: the lack of liquidity; absence of credit lines; and non issuance of letters of credit. This situation is expected to begin improving by the end of 1999

Market Trends The market for water supply and distribution equipment fluctuates to meet the demand generated by water and sewage projects. The total market for 1999 is estimated at USD 35.4 million, which represents a decrease of 40 percent compared to the USD 59 million market in 1998. Investment in the sector during 1999 will focus mainly on renovation of small water systems and completion of two major projects. Industry experts predict a total market growth of about 3 percent during 2000 as the government takes measures to stabilize the economy and to strengthen the banking system

Growth should quicken in following years

Imports satisfy 20 percent of water equipment needs, whereas domestic production accounts for 80 percent of market share. However, this market share varies when major projects are executed.

The import market accounts for 65 percent of demand and the domestic for 35 percent when major projects increase import demand. Total imports for 1999 are estimated at USD 7.2 million, versus USD 12 million imported during 1998. Imports from the U.S

decreased from USD 6.4 million during 1998 to USD 3.7 million during 1999

The U.S. dominates the import market with 53 percent market share. Industry experts estimate a 5 percent growth of the import market during 2000 based on international loans which will be dedicated to water projects

The greatest demand is for valves, pumps, and meters. Although the U.S. is the largest supplier, it could increase its market share by providing financing

The market for steel pipes and water meters is highly concentrated; unlike the market for iron ductile pipes, valves and pumps, which is highly dispersed. Local manufacturers dominate the PVC pipe market

Import Market STATISTICAL DATA MARKET SIZE: Water Supply & Distribution Equipment (Millions of U.S

Dollars) 1998 1999 2000 Projected Annual Growth (1999-2000) Import Market 12 7.2 7.6 5%

Domestic Production 47 28.2 29 Exports 0 0 0 Total Market 59 35.4 36.6 3%

Imports from the U.S. 6.4 3.7 4 5% Exchange Rate: 6,825 10,000 12,000 Estimated Future Inflation Rate: 60%

Shares of Import Market in 1998: U.S.: 53% Japan: 6.3% Brazil: 5.8% Italy: 6% Spain: 5.7%

Germany: 4.5% Argentina: 4.3% Colombia: 2.7% Mexico: 2.2% France: 1% Others: 8.5% Sources:

Central Bank of Ecuador. Import figures are in absolute U.S

dollars, liquidated import permit, CIF value

Figures for domestic production were provided in U.S. dollars by the manufacturers

Notes: Statistics are based on data retrieved for the following HS codes: 39172990 PVC pipe

73030000 Tubes, pipes, of ductile iron 73069000 Tubes, pipes, of steel 73072100 Flanges

73072200 Elbows, bends and sleeves 84133099 Pumps, fuel-injection, other 84811000 Valves,

pressure-reducing 84813000 Valves, check 84818080 Valves, control 84819000 Valves, parts

90282010 Meters, liquid Statistics are for pipes, valves, pumps and meters used only for the

water industry

Competition The water supply and distribution equipment market is closely tied to U.S

suppliers not only because of price, service, and quality; but also due to the proximity between

Ecuador and the U.S., which expedites delivery and reduces costs. Preference for AWWA and ASTM standards further strengthens this relationship

Price is the key factor when making the final purchase decision. Although constructors of water systems look for a balance between price and quality, the final decision is usually based on price over quality, due to the critical economic situation

A key competitive factor which affects the U.S. position is the provision of credits by third country competitors thus tying the demand to their products

Domestic Production Total domestic production for 1999 is estimated at USD 28.2 million, a decrease of 40 percent compared to USD 47 million during 1998. The projected annual growth rate for local manufacture during 2000 is estimated at 3 percent

The local market for domestic production is erratic since it depends largely on the existence of water and sewage projects. Local production, which accounts for 80 percent of the market share, consists of: steel pipes; PVC pipes; and valves. There was also local production of water meters; however, the plant is currently closed. Steel pipes are mainly galvanized steel, in diameters ranging from 1/2 inch to 4 inches; and 1/2, 3/4, 1, 1 1/2, 2, 3, and 4 inches in diameter, which are used in homes. The steel sheets are imported from: the U.S.; Russia; Germany; Belgium; Japan; Venezuela; Brazil; Chile, and South Africa; depending on the price. The major Ecuadorian producers are Conduit (Quito), Ipac (Guayaquil) and Tugalt (Cuenca)

There is also production of steel pipes in diameters of 14 inches to 118 inches, and .2 to 1-1/2 inches thick. There are two manufacturers of these products: Eteco and Ina-Bromco, which only produce to meet specific orders

In 1992, the Eteco plant in Guayaquil was reconditioned by the Techint Group to supply steel pipes for the first phase of the Papallacta Project, financed with an Argentinean credit. In 1997, Ina-Bromco, the largest local constructor of water systems, purchased and installed a spiral welding steel mill in Quito to supply 80 Kms of steel pipes for the Mica-Quito Sur Project

Production of PVC pipes is characterized by a monopoly by the local manufacturer Plastigama, which is owned by the Swiss Group Amanco. Pipes produced meet INEN (Ecuadorian Standards Institute) standards which are based on ISO specifications. Pipes are 6 Mts. long, with diameters ranging from 20 to 200 mm for potable water; and 50 to 1245 mm for sewage. PVC pipes offer strong competition to local and imported steel pipes due to their good quality and very competitive prices. The market tendency is to use PVC pipes, except in diameters where PVC pipes are not available and where water pressure is above 2 megas. Other PVC manufacturers are Rival (Cuenca), and Plastidor (Guayaquil)

Domestic valve production is limited to iron gate valves and bronze seals, from 2 inches up to 4 inches. Valves are manufactured from local iron scrap

There is no manufacture of control valves. Industrial supplies, such as coke and ferrosilicon, are imported from the U.S., Colombia, Mexico, Brazil, and Venezuela. Larger size valves are manufactured upon request. Local valve manufacturers are: Ecuavalvula (Quito), and Fundiec (Quito)

Third Country Imports Third country imports account for 47 percent of the market share. The major competitors are: Japan; Brazil; Italy; Spain; Germany; Argentina; Colombia; Mexico; and France. Third country imports are expected to grow by 5 percent during 2000

The dominant supplier for imported steel pipes is the Argentinean Techint Group, which not only imports from its DST group of companies (Dalmine, Siderca, and Tamsa), with plants in Italy, Argentina, Mexico and Venezuela; but it also has in-country production because of an agreement with the local manufacturer ETECO. The Techint Group, domiciled in the local market since 1973, is one of the largest foreign engineering companies engaged in the construction of water systems in Ecuador

Other third country suppliers of steel pipe are: Italy (Capello Tubi); Mexico (Tuberia Laguna and Ilsa); Colombia (Tubos del Caribe only up to 10 inches); and Korea (Seah)

The main third-country supplier of iron ductile pipes is the French company Pont-A-Mousson, mainly from their Barbara plant in Brazil. Eighty percent of iron ductile pipe is used in water systems in the coastal area of Ecuador. The French captured an important market segment in the Coast due to the provision of financing for water systems

Small amounts of PVC pipes have been imported from Chile (Themco) and Germany (Pastro)

As for valves, third country competition is mainly for control valves and gate valves above 6 inches. Major competitors are: Brazil (Alstom); Israel (Bermad); Japan (Red & White); American Valve (Taiwan); Italy (Fiv and Belse); Colombia (Apolo and Construcel); and Spain (Desbordes).

Korean, Chinese and Taiwanese valves are also starting to penetrate the local market due to very competitive prices

Third country competitors for pumps are: Germany (KSB and Sihi), and Switzerland (Sulzer)
The market for water meters has two well defined aspects: quality and price. This tendency will continue in the future. Third country competitors for water meters are: Colombia (Acuaforjas, Coltabira); Chile/France (Slumberger); Germany (Popp & Reuter, Andrade Lember); Spain (Iberconta); China (Fuzhou); and Italy (Maddalena)

Traditionally the European equipment's high price constituted an impediment for importation; however, currency exchange rates have given Europeans and Asians better sales possibilities in spite of high transportation costs

Finally, another strategy used successfully by foreign suppliers is to buy the leading local brand to immediately penetrate the market and gain an important market share

U.S. Market Position: The U.S. dominates the water supply and distribution equipment market with a 53 percent market share. Total U.S. imports during 1999 are estimated at USD 3.7 million, a decrease of 40 percent compared to USD 6.4 million during 1998. The U.S. leads the market due to its price, technology, quality, and product performance guarantees. Preference for AWWA and ASTM standards, as well as the proximity between Ecuador and the U.S., which assures prompt delivery and cuts down shipping costs, are also factors contributing to strengthen the U.S.

presence in the local market. Proximity also allows for personal contact between the buyer and the supplier. Long-term business relationships contribute to soften credit terms, and often times U.S. manufacturers provide direct credit up to 30, 60, and 120 days

Although the U.S. has 53 percent of the market share, and is the preferred supplier for water supply and distribution equipment, it should reinforce its marketing techniques and strategies to defend and augment its strong presence. U.S. suppliers of water equipment tend to overlook this small market, allowing third country competitors opportunities to increase sales

Credit is key to retain/increase market share. U.S. suppliers should identify private credit sources and/or creative financing alternatives to compete with European and Asian lending strategies

Some Ecuadorian importers/agents feel that the U.S. could increase its presence by:

manufacturing under the Metric System; By producing accessories which meet ISO standards; and by providing a detailed product catalog

The U.S. dominates the import market for iron ductile pipes, valves, pumps, and water meters.

The major U.S. producers of steel pipes present in the local market are Thompson and Northwest Pipe

The U.S. is the leading supplier of iron ductile pipes via Acipco, Griffin, McWayne and U.S. Pipe, with ACIPCO being the largest supplier in the market

There are a myriad of U.S. valves present in the local market. Some of them are: Bailey; Amco; Cla-val; Clow; Combraco; Cooper, Crane; Cripco; DSI; Dragon; Dresser; Fairbanks; Hammond; Jenkins; Kennedy; Keystone; Marpac; Muller; Nibco; OCV; Oscaf; PBU; Ross; Sarlocks; Simmons; Smith; Wolworth, and Watt-Keaston

The U.S. is also the dominant supplier for pumps and water meters. Major U.S. pump brands present in the local market are: Aurora; Beckley; Dresser; Flowtronics; Goulds; Markfilter; Tuthill; Wilden, and Worthington. As for water meters, the dominant supplier is Kent. Badger Meter is also present in the market

C. END USERS The main end users are: public sector (90 percent), including the municipalities; water companies; water committees; and the private sector (10 percent), including private urban developers which implement the construction of water systems. In the case of Manabi Province, CRM (Center for Manabi's Rehabilitation) is in charge of water projects, while the municipality manages sewage services. In the Guayas Province, in addition to the municipalities, CEDEGE (Study Commission for the Development of the Guayas River Basin) also implements water projects

The purchase is based on bid specifications, which generally call for a balance between price and quality. However, the final decision is based on price

Sales Prospects Best sales prospects include: - Valves - Pumps - Meters - Accessories Best niche

markets include: 27150090 Bituminous mixtures 27011100 Anthracite 28011000 Chlorine

32100000 Paint, epoxy 39069090 Polymers 68126000 Paper, millboard and felt 73079900

Service saddle 84842000 Mechanical seals 84682080 Weld 85016190 Electric generators

90328990 Chlorine dispensers The municipalities are identifying and developing project profiles

for water supply and distribution systems. U.S. suppliers can either contact the State Bank (Banco de Desarrollo-BEDE) or the AME (Association of Municipalities in Ecuador) to obtain detailed project information

D. MARKET ACCESS It is strongly recommended to utilize a capable local representative or distributor to assist with local marketing requirements and government relations. Business in Ecuador is mostly conducted through agents and distributors which will assure installation, repair, and maintenance services for the equipment sold. However, large engineering companies often prefer to deal directly with U.S. suppliers during negotiations and to clarify technical details. When this is the case, the local distributor still receives a sales commission

⁶⁰ 311**31 May 1999 ECUADOR-PROTESTS INDIANS AND PEASANTS TO PROTEST PRIVATIZATIONS: EFE NEWS SERVICE World Reporter (Q1:23) Quito, May 31 (EFE).- Ecuadorian Indians and peasants, angered at President Jamil Mahuad's plans to privatize key economic sectors, will stage anti government demonstrations Tuesday In a communique, the peasant-Indian alliance underscored its objection to privatization of "strategic areas of the economy: petroleum, water, mining, electricity, education, social security, health and the country's heritage." The note mentioned the "framework agreement" on privatizations the president is sending to Parliament Since taking office Aug. 10, Mahuad, a social democrat, has yet to privatize a company. When and if he does, the first is expected to be the telephone system

⁶¹ 115**17 Jul 1999 INTERPRESS: RIGHTS-ECUADOR: INDIGENOUS RIGHTS VIOLATED DURING PROTESTS: Asia Intelligence Wire (Q1:118) QUITO, (Jul. 16) IPS - The transportation workers strike that paralyzed Ecuador for 12 days ended today, but more than 20,000 indigenous people will remain in the capital until their demands are met The indigenous protesters, who arrived in Quito in a peaceful march yesterday and today, were subjected to severe repression at the hands of the army, which has blockaded city streets and has surrounded the Government Palace where Pres. Jamil Mahuad is conducting the government's negotiations Hundreds of indigenous marchers were wounded in confrontations and the Red Cross is searching for a dozen children who have been missing since then Meanwhile, Parliament granted amnesty to more than 500 people who were arrested since protests began July 5 and the indigenous protesters began removing their blockades from rural roads, but the government announced that it will maintain the state of emergency The first indigenous marchers to arrive in Quito were met in the city's southern outskirts by residents in a show of support, but shortly after, military troops arrived in trucks and helicopters dispersing tear-gas against the crowd and firing their guns into the air The army was able to postpone the marchers' entrance into Quito, but the protesters ultimately found their way in by taking rural roads as all the principal roads were blocked by the armed forces Ricardo Ulcuango, an indigenous leader, was indignant with the government's attitude. "Where is Mahuad's sensitivity?" he demanded Under the pressure of protests that had paralyzed the country for nearly two weeks, Mahuad promised on July 14 to freeze gasoline prices at their levels prior to the last price increase, and to create an Indigenous Nations Development Fund For Ulcuango, Mahuad's words had opened the door for dialogue, but the military actions against the people appears now to have shut that door "The president is used to lying to us. Which is why we won't believe his announcements until they take effect," said Ulcuango "He has not lifted the state of emergency which is a fundamental measure for any dialogue to begin," he added The national protest against the government began July 5 with a taxi strike and continued the next day with uprisings in indigenous towns The strikers were joined by members of a rural pension fund, teachers, petroleum industry and health workers, street vendors, and small-scale banana producers The protesters demanded the repeal of gasoline price increases decreed by the government on July 1 and that the law for the privatization of state owned enterprises be shelved Since July 5, the nation has been under a state of emergency, suspending the freedom of association and mobilizing the armed forces. To date, there have been two deaths and at least 500 arrests Today, Ecuador's one-house parliament approved amnesty for 547 prisoners, which had been requested by parliamentarian Gilberto Talahua of the indigenous Pachakutik Movement. But the release of the prisoners is expected to take time "The state of emergency continues. There are social leaders imprisoned and the army violently repressed our brothers who came from all over in a peaceful march. We must have amnesty," Talahua told IPS Ulcuango assured that the indigenous movement will continue its uprising and the rural population that marched to Quito will not leave the city until the prisoners are released Since the uprising began, the indigenous protesters have taken over cities, water treatment plants, power stations, and radio and television relay stations in several provinces of the Ecuadoran sierra. On July 14, people from these areas

began their march to Quito. The army's attack on indigenous people in several sierra locations left dozens with gunshot wounds. A 14-year-old indigenous girl was killed and a man is in serious condition and may be paralysed. In addition, there were cases of asphyxiation throughout the country and a girl was permanently blinded by tear-gas. The protesters arrested under the state of emergency since July 5 are subject to trial in military court if amnesty is not granted. Among those arrested are 56 demonstration leaders. The rest are taxi drivers, citizens who blocked roads, and other workers. For human rights organizations, the government's actions during the protests confirm Ecuador's ranking among countries with the highest level of human rights violations, coinciding with a recent Amnesty International assessment. Amnesty has reported death squad activities in Guayaquil, the torture and assassination of socialist union leader Saul Canar, and the assassination of leftist representative Jaime Hurtado just outside Parliament. The Amnesty assessment also includes the deaths of two people in Manabi province at the hands of para-militaries and police officers, the arrest and torture of an El Universo newspaper columnist, and the systematic violation of homes and individuals without any ties to crime. After confirming these human rights abuses, Elsie Monge, director of the Ecumenical Commission on Human Rights, told IPS that she is concerned about the repression against indigenous people and other social movements that protest against the government. "The government committed a serious human rights violation by declaring a state of emergency to stop the social ills that originate in the government's own economic measures," stated Monge. She added that the declaration violates the Convention of the Americas and the United Nations Civil and Political Rights Pact. "The militarization of areas where there are greater indigenous populations, organization and unity, has left a total of 17 citizens with gunshot wounds and dozens of people asphyxiated," Monge said. In addition, stated Monge, applying the National Security Law to process civilians under the military code violates their right to be tried by independent and impartial courts. "On one hand, the armed forces are active parties during the state of emergency and, on the other, the military courts exercise justice over events which affect civilians," she stressed. According to a poll released today by the firm Cedatos, 87 percent of the Ecuadorans who participated in the survey do not believe in Pres. Mahuad's word and 84 percent disapprove of his government. Mahuad's popularity rating, which reached 66 percent a year ago, has fallen to just 11 percent.

⁶² 440**29 Apr 1999 *UNIONS THREATEN GENERAL PRIVATIZATION STRIKE - ECUADOR: BUSINESS NEWS AMERICAS World Reporter (Q1:46) Ecuador's federation of oil unions, Fetrapec, yesterday threatened a nationwide and trans-sectoral strike if the country's president proceeds to Congress with a framework law to accelerate the privatization process. Fernando Villavicencio, a member of Fetrapec's executive committee, told BNA that the Frente Patriotico - a social and political movement representing unions as well as indigenous people, rural workers and housewives - had agreed April 17 to initiate an "indefinite general strike" in mid-May to show its opposition to the privatization process. "We're going to see what's in the framework law. But if the government insists on selling (telecommunications companies) Andinatel, Pacifictel, the electricity and water sectors, as well as (oil company) Petroecuador, we are going to close the roads," Villavicencio said. Ecuadorian president Jamil Mahuad is expected in the next fortnight to announce the details of a framework law agreement, to be passed by Congress, which would sanction in one go the privatization of state industries including electricity, water, oil, telecoms and the social security sector.

Diego Cano Molestina, general secretary of oil workers union, Cetape, told BNA the Frente Patriotico would probably take about three days to examine Mahuad's reform law before calling the strike.

"There's no way we are going to agree with the proposals and the strike will go ahead, uniting different groups of opposition" said Cano.

Fetrapec's Villavicencio said the strike - mooted to commence around May 15 - would continue until Mahuad agreed to suspend the privatization process.

"In this country things are only resolved with force," said Villavicencio.

Villavicencio also said Fetrapec's 4,500 members would be taking part around the country in a protest march on May 1 along with one million members of the Frente Patriotico to demonstrate its "opposition to the privatization process and the neo-liberal model." In March Ecuador was paralyzed by a transportation strike.

Business News Americas, April 29, 1999 Copyright 1999 Business News Americas

⁶³ 122**14 Jul 1999 ECUADOR'S LEADING PRIVATE UTILITY SUES GOVERNMENT OF ECUADOR IN THE US COURTS FOR DOLLARS 900000000: PR NEWSWIRE Reuter Textline (Q2:59) WASHINGTON

EMPRESA ELECTRICA DEL ECUADOR, INC. ('EMELEC'), the republic of Ecuador's leading private utility, which is a US corporation, today commenced proceedings in a lawsuit in the United States District Court for the District of Columbia against the Republic of Ecuador seeking damages and interest in excess of USDollars 900,000,000. EMELEC bases its claims on the Government's failure to pay amounts due pursuant to a 1992 international arbitration award and for additional damages based on the Government's continued breaches of EMELEC's concession agreement since 1992

EMELEC is a US corporation which has, since 1925, continuously provided electric service to the city of Guayaquil, Ecuador and its surroundings pursuant of a Concession Agreement with the City and later the Government of Ecuador. EMELEC is presently the only privately owned electric utility in the country, responsible for distributing approximately 37% of the country's electric power. EMELEC alleges in its suit that beginning in the early 1980's, EMELEC and the Ecuadorian Government began having disagreements regarding various operational obligations of the parties under EMELEC's Concession Contract, including the requirement that EMELEC be guaranteed a net annual return on invested capital of 9.5%, which return was to be earned by EMELEC through Government-set electric rates. EMELEC alleges that, beginning in 1982, the Ecuadorian Government refused to set rates to be charged for electricity or take any other actions which allowed EMELEC to achieve the contractually-guaranteed 9.5% rate of return on its investment EMELEC was awarded USDollars 51.9 million in a 1992 international arbitration, which the Government refused to pay. EMELEC thereafter sued the Government in 1995 to enforce the award. The 1995 lawsuit prompted the Government to enter into a settlement agreement with EMELEC which would have resolved the parties' disputes. However, EMELEC further alleges that the Government failed to honor its obligations under the 1995 settlement agreement, resulting in substantial additional damages to EMELEC since that time and requiring EMELEC to return to the US courts now for full relief

EMELEC has explained in its lawsuit that it made numerous attempts to resolve its differences with the Government amicably, including submitting all matters to arbitration, and has been thwarted at every turn by the Government's failure to honor its contractual and judicially ordered obligations

The EMELEC lawsuit filed today is the culmination of a long-standing dispute between the nation's leading private utility and the Government of Ecuador. Despite the fact that EMELEC has had its position vindicated by at least three arbitral tribunals and the Ecuadorian courts (up to the Supreme Court of Ecuador), the Government of Ecuador has steadfastly refused to honor its obligations to a private company. Hernan Perez Loose, EMELEC's director, stated that: 'We have been vindicated by every arbitral tribunal and court which has addressed our claims against the Government of Ecuador for the last eight years. Despite all of these awards and rulings, the Government has steadfastly refused to honor its obligations to a private company which has continuously served the city of Guayaquil and its surroundings for almost 75 years. The latest Government attempts to evade its responsibilities towards this US corporation leaves us no alternative but to seek recourse in the United States against the Government. We hope and trust this latest proceeding will bring an end to an unfortunate episode in Ecuador's history and will vindicate the rights of private parties to have their contracts respected by the Ecuadorian Government.'

⁶⁴ Global Water Report 20/11/98.....

Panamanian trade unionists have threatened to hold a general strike to protest the sale of the water and sewage company as concerns over price rises grow following President E. Ernesto Perez Balladares' privatisation of telecommunications, the railway, ports, part of the electric company and other assets. His sale of the Institute of Aqueducts and Sewage (Idaan) have led to rumours of 50% price rises, causing a groundswell of opposition to the sale, particularly since customers noted the price increases following the telecoms privatisation.

Dario Morrice, leader of the non-governmental Front Against Privatization (Frecopri), says that the President lacks a political mandate to privatise Idaan as he was "broadly defeated" in a referendum held on 30 August designed to pave the way to his reelection. He warned that the rate hike would be based on one of the articles of the decree authorising the privatisation of Idaan, which allows the new owner to increase the rates charged for consumption of potable water by up

to 50% to cover the costs of the sewage system. And Miguel Bush, a legislator of the governing Democratic Revolutionary Party warned that when the presidential decree authorising the privatisation of Idaan was submitted to parliament for ratification, he planned to push for modifications or a vote against the decree. "I'm going to oppose the privatisation (of Idaan) because the decree that outlines the regulatory framework has gone too far, and robs the people," he said.

Idaan director Elida Diaz said that no decision on rates had yet been made.

The government "cannot predict whether rates will be raised, because the new company will have to invest millions in restructuring the service," said Diaz - a remark that critics of privatisation took as confirmation that rates would indeed be increased.

The secretary-general of the Central General de Trabajadores union confederation, Mariano Mena told Inter Press that if Idaan is privatised, "we will feel the first blow when the sewage treatment system is made separate, and an extra rate is charged" for what is now a free-of-charge service. So far the state collected some \$1.3bn through the privatisation of public assets. It expects another \$750m from the sale of Idaan, three hydroelectric dams and a thermoelectric plant, the Tocumen international airport, and the Atlantic-Pacific Convention Center (Atlapa).

The National Council of Organized Workers (Conato) and the National Federation of Public Servants warned that they would call a general strike if the government insisted on going forward with its privatisation programme. A meeting to decide on strike action is scheduled for 26 November.

⁶⁵ Reuters 10/12/98

WORKERS, STUDENTS TAKE PROTEST TO CONGRESS: REUTER NEWS

SERVICE - LATIN

AMERICA Reuter Textline (Q2:26) PANAMA CITY

Organisers planned a spirited 'peaceful' march on Panama's Congress on Thursday, despite three days of violent demonstrations against government economic policies. 'It will be a very substantial and very combative march that we will hold today at 4:00 pm local time (2100 GMT),' Genaro Lopez, president of the National Construction Workers' Union, told Reuters. 'It should be a peaceful march and we hope the assembly gives us the courtesy of the floor to present our plans,' he said. Lopez said thousands of people could show up for the demonstration. While the demonstrators prepared for the march, Panama University authorities and opposition party leaders condemned the use of force by police on Wednesday against rioting university students. Police stormed the campus and fired tear gas and rubber bullets at students, who rioted in sympathy with workers who demonstrated elsewhere in Panama City against government plans to privatise the water treatment sector. Reports said 25 people were injured, four of them seriously, while 30 others suffered the effects of tear gas. Late on Wednesday, President Ernesto Perez Balladares appealed for peaceful demonstrations in the future. 'I would hope that . . . we can avoid confrontations in the streets when we can have peaceful dialogues,' he said. Some commentators say the protests are the result of popular dissatisfaction with the government's economic policies, which include sweeping privatisation of state-owned industries, restructuring of the national debt, and the opening of the nation's traditionally protected domestic markets.

⁶⁶ Reuters 06/05/99

⁶⁷ 48**05 Aug 1999 INTERPRESS: ECONOMY-PARAGUAY: UNIONS OPPOSE PRIVATIZATIONS, STATE REFORMS: Asia Intelligence Wire (Q1:113) ASUNCION, (Aug. 4) IPS - A government plan aimed at reactivating the economy and curbing unemployment in Paraguay by slashing public expenditure and launching a broad privatization program has drawn fire from the unions Minister of Justice and Labor Silvio Ferreira reported last week that the number of unemployed had soared to 14 percent of the economically active population (EAP) -- equivalent to around 360,000 people in this land-locked South American country of roughly 5.1 million In Paraguay, the EAP is calculated on the basis of all those over the age of 10 who are either working or looking for a job

And according to official figures, another 19 percent of the EAP - - approximately 435,000 people - - work less than eight hours a day, or are employed below their skill level, due to the shortage of jobs

The "cold statistics" reveal a situation of "stagnation and crisis that cannot be concealed," President Luis Gonzalez Macchi told parliament a month ago, promising a short-term program to reactivate the economy and a long term development plan

The short-term plan, backed by a \$400 million loan from Taiwan and the first flotation of foreign bonds, will include public works, support for farmers and industrialists, and indemnification for savings account-holders left out in the cold

Another \$700 million provided by international lending institutions, along with \$50 million in local funds, will go toward beefing up the quality of basic services -- water, sewage, electricity and telephones

The government has also decided to begin outsourcing public services and eliminate the state's monopoly, with the aim of reducing the deficit plaguing loss-making public enterprises

The Finance Ministry estimates that tax revenues next year should cover only 76 percent of state expenditure, which would mean a deficit of approximately \$400 million -- mainly the result of a drop in customs duties, which have long been the state's principal source of revenues

Paraguay was one of the few Latin American countries yet to undertake a bold program to denationalize public enterprises. A limited plan to privatize five public companies was implemented with scant success from 1991 to 1998

Only the airlines were successfully transferred to the private sector, while the plan failed in its attempts at privatizing the steelworks, sugar mill, railway system and merchant marine

The Colorado Party has governed the country for over 50 years, including 35 years of dictatorship under General Alfredo Stroessner (1954-89). One of the mechanisms through which it consolidated its hold on power was the distribution of public jobs

The state currently employs 191,000 people. A full 95 percent of public spending goes towards wages, and 20 percent of the budget goes uncovered

This week, a coordinating body of leaders of three of Paraguay's four central unions and Minister of Justice and Labor Ferreira will begin to debate the plan to deflate the overbloated state, which the unions oppose due to their fear of massive layoffs

Ferreira announced a program of incentives to encourage public employees to retire, available to civil servants close to the age of retirement and those who decide to go into the private sector

But trade unionists are not satisfied with the government's pledges of economic compensation for public employees who voluntarily retire, and vocational training for those left without a job

Reinaldo Barreto Medina, the leader of Paraguay's public employees and a member of the ruling Colorado Party like most of his fellow civil servants, said the unions would not boycott government attempts at dialogue, but warned that they would "take to the streets" if it attempted to implement the reforms without their consent

The public employees are planning a general strike for later this week

Employees of Antelco, the state telephone company, met with Colorado Party leaders in an effort to convince them not to privatize the company or put an end to its monopoly

Gonzalez Macchi obtained the "critical" support of the Colorado Party after ensuring that his plan would not entail "savage privatizations." He also explained his proposed reforms to the commanders of the three branches of the armed forces, declaring afterwards that "the path (towards reform) is irreversible." Which is precisely what International Monetary Fund and World Bank officials, who had demanded clear signals of local authorities' will to privatize, were hoping to hear

The World Bank had suspended a \$46 million loan for Corposana, the state water company, for having failed to advance in the process of deregulating sewage and water services

The president of the Colorado Party, Senator Bader Rachid Lichi, said the plan to restructure the state should go ahead, although he stressed the need for measures to minimize the social costs

The government plans to earmark \$21 million from the Inter-American Development Bank (IDB) for the creation of a new body - comprised of representatives of public enterprises, unions and business associations -- to coordinate changes in the labor market linked to the privatizations

Manuel Ferreira Brusquetti, a consultant who participated up to last year in a Ministry of Justice and Labor vocational training project backed by international institutions, told IPS that vocational rehabilitation was a gargantuan task in the public as well as the private sector

According to official figures, 57 percent of Paraguayans are "functionally illiterate" -- a category that not only includes people who have never learned to read or write, but also those whose abilities have fallen prey to disuse

Brusquetti said that made the task of vocational training virtually impossible within the three-month timeframe provided, which meant the functionally illiterate -- basically found in the lowest income sectors -- could find themselves left out of the labor market due to the coming privatizations

⁶⁸ 19 Nov 1997 PERU SEES DOLLARS 2.5 BILLION INVESTMENT IN WATER SCHEMES:

REUTER NEWS SERVICE - LATIN AMERICA Reuter Textline (Q2:29) LIMA
Peru's President Alberto Fujimori ruled out Wednesday the privatization of state water company Sedapal, and said the firm plans to invest around Dollars 2.5 billion up to the year 2000 in new projects.

'It is a decision taken by the state not to privatize Sedapal,' Fujimori told a business conference in Lima.

Sedapal had been included in the government's initial privatization program, which kicked off in 1990 and is about two-thirds completed.

But a formal decision to keep it in state hands had been widely expected following criticisms from politicians and other sectors campaigning to keep water services under government control.

British, French, US and Spanish companies had shown interest in the privatization of Sedapal, which operates in the Peruvian capital Lima, where nearly a third of the nation's 24 million inhabitants live.

Fujimori said Sedapal's investment plans up to 2000 would be financed by state funds, credits from international loan bodies such as the World Bank and the InterAmerican Development Bank, and loans from individual countries such as Japan and Germany.

The government's aim 'is that by the year 2000, 80 percent of Peruvians will enjoy drinking water and 75 percent will have drainage,' Fujimori added, without giving comparative figures for this year.

He said the state had invested Dollars 1.3 billion in water services since the administration took power in 1990.

All Peru's water services, both in Lima and the provinces, are currently in state hands.

⁶⁹ 14 Apr 1998 Peru to Expand Lima's Water System - State-owned water company Sedapal (Peru) will spend \$400 mil in the next few years to upgrade and expand its operations: Wall Street Journal - (3 Star, Eastern (Princeton, NJ) Edition) Business and Industry (Q1:17)

State-owned water company Sedapal (Peru) will spend \$400 mil in the next few years to upgrade and expand its operations. Currently, one third of the population in Lima, Peru, does not have running water, according to the utility. Other estimates indicate that about 50% of the city's population does not have running water. The privatization of Sedapal was called off last year.

⁷⁰ 553**29 Mar 1999 PERU'S FUJIMORI SAYS HYDROELECTRIC PLANTS, WATER CO WILL NOT BE PRIVATISED: AFX EUROPE World Reporter (Q1:23) President Alberto Fujimori said the country's hydroelectric plants and water distribution company will not be privatised despite calls to do so from economists and industrialists

"My government has no plans to privatise any hydroelectric plant, because most of them generate profits that are used to support the poorest sectors of the population," he said yesterday

Water distribution company Sedapal will also remain in state hands, he said, adding that he is considering drafting a bill to prevent it being sold by future governments

Industrialist Carlos Bruce said Fujimori's refusal to privatise the sectors endangers Peru's prospects for economic recovery by impeding foreign investment

Percy Tabore, chairman of Banco de Comercio, added that the country's privatisation process should be speeded up

⁷¹ 79**29 Jul 1999 SEDAPAL PRE-QUALIFIES 7 FOR RIO CHILLON WATER PROJECT - PERU: BUSINESS NEWS AMERICAS World Reporter (Q1:34) July 27, 1999 Lima-based waterworks company Sedapal has pre-qualified seven consortia and companies for the auction of a concession to build and operate the US\$100mn Rio Chillon drinking water project, Sedapal sources told BNA
Twelve regional and foreign companies had bought the bidding rules
The build-operate-transfer (BOT) project will channel surface water from the Chillon River for treatment in a purification plant. The project also calls for processing underground waters from a

series of 28 previously perforated wells, and the construction of a 76km distribution system connected to Sedapal's existing grid

The Rio Chillón project will increase the supply of drinking water to Lima's Cono Norte zone benefiting 740,000 residents in the Comas, Los Olivos, Puente Piedra, Carabayllo, Ventanilla and Ancon districts, a figure which will rise to 1.8 million by 2025

After a due diligence period and the presentation of documents, qualifiers will be announced September 24, technical and economic offers received October 1 and the winner announced October 10

The list of pre-qualified consortia follows: 1. Anglian Water International Holdings (UK) and Mitsubishi Corporation (Japan) 2. Azurix Peru (US) 3. Thames Water Overseas (UK), Degremont (France) and Mitsui & Co. (Japan) 4. Acciona, Abengoa (both Spain) and Servicios Urbanos 5. ACEA, Fisia Italmimpianti, Impregelio and Castalia (all Italy) 6. Actividades de Construcción y Servicios (ACS) (Spain) and Gelsenwasser (Germany) 7. Fypasa Construcciones (Mexico)

⁷² Privatisation goes awry Carmelo Ruiz (Puerto Rico, August 11 1999)

The administration of governor Pedro Rosselló promised that privatisation would usher in a new era of efficiency and prosperity.

A fervent supporter of neoliberal policies, the Rosselló government privatised the administration of the Puerto Rico Aqueduct and Sewers Authority (PRASA) in hopes that private enterprise would put an end to this Caribbean U.S. territory's severe water management crisis.

PRASA's administration was put in the hands of the Compañía de Aguas corporation, until last year called Professional Services Group (PSG). Compañía de Aguas/PSG is a subsidiary of the Europe-based Vivendi corporation.

But now, even the most ardent supporters of neoliberalism must admit that putting PRASA's administration in the hands of this private firm was a serious mistake.

Last week, the Puerto Rico Office of the Comptroller (Contralor) issued an extremely critical report on the PRASA- Compañía de Aguas/PSG contract. The document lists numerous faults, including deficiencies in the maintenance, repair, administration and operation of aqueducts and sewers; and required financial reports that were either late or not made.

According to the Comptroller's report, under private administration PRASA's operational deficit has kept increasing and has now reached a whopping \$241.1 million. This has required the Government Development Bank (Banco Gubernamental de Fomento) on several occasions to step in and provide the agency with emergency funding.

Furthermore, the Comptroller found that Compañía de Aguas/PSG owes \$36 million to the Electric Power Authority and \$1.7 million to the Puerto Rico Telephone Company.

PSG was originally awarded the PRASA contract in 1995. The contract was restructured in 1998 to give the private company complete control over PRASA's administration.

What does the current situation mean to PRASA customers? "For the customers, it means uncertainty, confusion and doubt, and unfortunately a worsening of the already poor service", said economist and University of Puerto Rico (UPR) professor Héctor Ríos-Maury, author of a recent book on privatisation.

He added that "the subsidy given to the private company is excessive, and this is evident if it's compared to the subsidies given in other privatisations of aqueducts, like the ones that took place in the United States in the eighties".

"The World Bank and the Interamerican Development Bank, two institutions that support privatisation, have expressed doubts about the way some privatisations have been carried out, and recommend that these processes have some transparency. But our government here doesn't pay attention to those reports", commented UPR economy professor Francisco Catala.

"Privatisation is being used in Puerto Rico as a political slogan to solve everything", he said.

"PRASA's operational deficit increased with Compañía de Aguas without any noticeable improvement in the service", declared Catala. "If there had been an increase in the deficit but with an improvement in service, it wouldn't be so bad. But that is not the case here."

Catala holds that trimming the public payroll does not necessarily reduce the costs of government. He points out that personnel reductions in public agencies are usually accompanied by an increasing reliance on private sector contractors, so it is hard to tell if the public sector saved any money in the long run.

"There's been a reduction in the PRASA payroll. But we must find out if this reduction has merely made room for an increase in outsourcing to contractors. That's probably what happened, because the total costs of operating PRASA have been increasing in recent years."

"The Compañía de Aguas contract is the culmination of a process of gradual privatisation. An increasing amount of work had been contracted out to private firms, and only management remained to be privatised", said political commentator David Noriega, who has been closely following the processes of privatisation since his stint as member of the P.R. House of Representatives in the mid-nineties.

"But outsourcing has also been a disaster", added Noriega, who ran for governor in 1996.

"There's been cases in which PRASA work brigades have had to redo work that private contractors didn't do right."

"The PRASA-Compañía de Aguas debacle is evidence that we need a regulatory law for the privatisation of public enterprises", recommended Ríos-Maury. "Such a law must be negotiated by all sectors of society."

"This is not a new idea. It has been done successfully in countries with less democratic tradition than Puerto Rico."

"If the government is going to delegate the administration of a public enterprise, it must put in place a structure of supervision in order to safeguard the public interest", said Catala.

Ríos-Maury regrets that the privatisation debate has been polarised between unconditional supporters and intransigent opponents. "Proponents present privatisation as an infallible religion, as a sacrosanct activity. And its opponents view it as something evil and terrible. Both approaches are mistaken. Privatisation is just an economic strategy."

"My first choice would be not to privatise at all", said Noriega. "But if we're going to privatise, we must do it with parameters of public interest."

⁷³ Trinidad Guardian 13/03/99

SEVERN TRENT - IT'S TIME TO GO!

Severn Trent has been in Trinidad and Tobago for three years now. They came originally to rescue the Water and Sewerage Authority and to show us ex-colonials how things should really be run.

Like Christopher Columbus they came bearing small gifts and big promises. And like Christopher Columbus their allegiance is not to the people of Trinidad and Tobago but to their backers and shareholders.

In this country, Severn Trent have linked up with Wimpey Engineering and Construction Company, another major multi-national, and disguised themselves as the Trinidad and Tobago Water Services. Wearing this hat, they promised to achieve a financial turnaround in WASA's fortunes with the expectation of profitability in year three - that's this year. In addition to that, they are supposed to be improving services.

Let's be fair about this. What's important is whether they have actually done the business. Have they improved WASA?

A 1998 Report by London Economics shows that less than 30% of customers receive a continuous supply of water and less than 60% receive a piped supply for more than half the time. This is not surprising when you consider that some 45% of all water produced is "unaccounted for" - mostly through leakage's in the system. Further more, only 30% of the population receive a sewerage service from WASA. So, no major breakthrough as a result of Severn Trent/Wimpey.

And what about this target of making WASA profitable by 1999? The 1998 Financial Statements showed a net operating deficit of \$420 million and the net deficit for the year actually increasing over 1997. But they are now claiming to have turned in a profit this year of \$8 million. Well, we all know about lies, damn lies and statistics. We shall have to wait and see how real that surplus really is.

What the NUGFW knows is that we have lost hundreds of jobs at WASA when there are thousands of leaks waiting to be repaired. When Severn Trent boast about cutting costs this is what they really mean - cutting jobs.

If Severn Trent have contributed to a turn around in WASA's fortunes all well and good. It shows that WASA has the potential for being a viable organisation. It also shows that we do not need to sell our souls to Severn Trent or any other private sector multi-national in order to get WASA up and running properly.

But don't shed a tear for Severn Trent. They still win all the way to the bank. Through another of their front companies, the Trinidad and Tobago Water Finance Ltd, they have arranged a \$450 million loan to WASA, which will take 25 year to pay back. So they will still have money coming in for many years to come.

But Severn Trent and Wimpey have another agenda. They admitted in their original Business Plan that they wanted to use Trinidad and Tobago "as the base for expansion of their existing Caribbean and South American business". So, in reality, we are just a pawn in a much bigger game plan for these multi-nationals.

What follows this three year "Interim Operating Agreement"? As you might expect from the level of interest from Severn Trent/Wimpey there is the real attraction of the "Long term Arrangement" in which their front Company, Trinidad and Tobago Water Services, is guaranteed "a preferential right" in negotiations with the Government.

The task of the Severn Trent/Wimpey consortium is to make WASA attractive for the private sector in the long term. In other words, the private sector has been given the job of making our water services profitable enough for the private sector to be interested in making even more profit out of us.

How do they plan to do this? In a series of recommendations from London Economics the answer is simple. Put meters in all homes with the target of reducing water consumption by up to 40% and link this to an increase in water rates.

In what can only be described as "considerable increases in bills for domestic customers" London Economics are suggesting tariff increases of 16% per annum until charges are high enough for the private sector to make enough profit for it to be worth their while. That's projected to be sometime in the year 2009.

But here comes the crunch. Do we really need these people? Are we really saying that after nearly forty years of independence we are not capable of running our own water and sewerage services? Why are we allowing the Water and Sewerage Authority to become the Water and Rubber Stamp Authority as the Trinidad and Tobago Water Services - alias Severn Trent/Wimpey - make all the decisions leaving the Board of WASA to simply endorse key decisions that have been made elsewhere.

Severn Trent/Wimpey might want us as a base for expansion into the rest of the Caribbean and South America - but we do not need them. The problems with WASA have been well known for many years. We need more investment in the infrastructure. What we don't need are multi-nationals whose priority is making a profit for their shareholders.

When it comes to water, the service must remain firmly in the public sector. Water is far too important to let the profiteers get their hands on it. That is why the issue is not just about Severn Trent. If we get rid of Severn Trent and replace them with another multi-national with a thirty year contract then we are no better off. After all, public it's ours - private it's theirs.

Severn Trent - it's time to go!

*Robert Giuseppe
1st Deputy President General
National Union of Government and Federated Workers*

1st March 1999

⁷⁴ 647**04 Mar 1999 VIVENDI UNIT GENERALE DES EAUX CHOSEN FOR URUGUAY WATER COMPANY CONCESSION: AFX EUROPE World Reporter (Q1:21) Vivendi unit Cie Generale des Eaux has been selected for a 30-year concession to upgrade and run the water distribution system of Uruguayan regional sanitation company OSE, the company's chairman Raul Moller Generale des Eaux was the only company that qualified for the contract, which covers the eastern region of Maldonado, and the value of its bid will be announced in the coming days, he said late yesterday
Under the terms of the concession auction, the winning bidder must undertake to invest more than 200 mln usd over the period of the concession

⁷⁵ SABI (SOUTH AMERICAN BUSINESS INFORMATION): EL CRONISTA (ARGENTINA): ARGENTINA: VIVENDI TAKES OVER SPARKLING 98% match; El Cronista (Argentina) - SABI ; 30-Jul-1999 06:42:19 pm ; 214 words
With the acquisition of the world assets of US Filter the French holding Vivendi has taken over the control of Sparkling, the leading Argentina company in the bottled (big bottles) water market. In 1997 US Filter paid US\$19.5mil for a 51% share in Sparkling that also has a Chilean subsidiary, Manantial. Now US Filter firmed the control on Sparkling that will keep its brand name, but change the company name to US Filter Argentina. US Filter Argentina has a US\$20mil turnover, 80% of which from institutional and 20% from household customers and runs a plant at Palermo, with plans to set up three bottling lines at Barracas, Rosario, and Cordoba. Vivendi has other businesses in Argentina, where it is associated with Suez Lyonnaise and Aguas de Barcelona into the sanitary services company Aguas Argentinas; associated with Impsa and Bomagra is controls a waste collecting company in Buenos Aires; through Aguas de Aconquija it had the concession for the water service in Tucuman. US Filter's main competitor in the big bottles water business is Danone's Villa Alpina, acquired in 1997 and distributing under the brand name Villa del Sur. Another player is Ivess, while Perrier Vitel associated with Bemberg, would also consider to penetrate in this market.

⁷⁶ El Cronista (Argentina) - SABI ; 26-Jul-1999 BBV Adeslas has paid US\$16mil to acquire a 51% stake in the hospital Clinica Bazterrica and has the option to firm the control to 100% in the company. BBV Adeslas is an association of BBV and Adeslas (Aguas de Barcelona), that started this April with the acquisition by BBV of a 50% stake in Adelas Seguros de Salud in a US\$17.8mil deal. Adeslas is a pre paid health service with 75,000 affiliates and a US\$70mil turnover that controls Centro Medico Santa Fe (33,000 affiliates, US\$22mil turnover), Sanatorio Santa Isabel (22,000 affiliates and US\$17mil income), and Omaja (20,000 affiliates, US\$24mil turnover). BBV Adeslas has recently disclosed plans to invest US\$100mil to expand.
Bottom of Form

⁷⁷ 91**22 Jun 1999 Endesa Espana reorganiza sus activos en America Latina - Endesa looks to consolidate its Latin American business; controls generating capacity in Argentina, Brazil, Colombia, Chile, and Peru of 16953 MW: El Diario Business and Industry (Q1:34). Spanish energy major Endesa wants to consolidate its business in Latin America, after spending more than US\$3 bil to take over the control of the Chilean group Enersis and the power generator Endesa Chile. Endesa controls assets of US\$19 bil in Argentina, Brazil, Colombia, Chile, and Peru, and manages a power generating capacity of 15,953 MW, while it supplies power to more than 12 mil customers. The company's strong position generates concerns from both the Chilean government agencies and also its competitors. Recently Endesa proposed selling off in Chile Translec, which operates in power transportation, to calm down the government. Among the goals from Endesa are to improve the performance of Enersis to operating profits of US\$510 mil over the next five years. The first step would be to reorganize the company to meet the standards of Endesa itself, generating profits of US\$295 mil. Another US\$130 mil would come from restructuring, while in a third stage financial costs would be slashed allowing profits of US\$85 mil. In a non-related issue, the Chilean government has not considered harmful the stake held by Endesa in the consortium Aguas Metropolitanas, that won the privatization of the water and sewage company Emos. Endesa has 11.7% in Aguas de Barcelona, a company that owns half of the winning consortium.

⁷⁸ SABI (SOUTH AMERICAN BUSINESS INFORMATION): GAZETA MERCANTIL: BRAZIL: IBERDROLA TO INVEST US\$2.7BIL IN LATIN AMERICA 90% match; Gazeta Mercantil - SABI ; 02-Aug-1999 11:12:01 am ; 160 words

Iberdrola's Iberener is to generate 30% of the global turnover by the year 2003. At present Iberener holds the following stakes in Latin America: Colombia - Gas Natural, 12.36%; Gas Oriente, 6.73%; Cundiboyacense, 8.9%; and Transcogas, 19.44% (all operate in gas distribution); Guatemala - EEGSA, 39.2% (power energy); Credieegsa, 39.16%; and Comegsa, 39.2%; Bolivia - Electropaz, 57.1% (power energy); Elfeo, 95% (power energy); Cadeo, 100%; Edeser, 86.16%; Brazil - CEG, 9.87% (gas distribution); Riogas, 13.12% (gas distribution); Coelba, 28.46% (power energy); Cosern, 22.46% (power energy); Itapebi, 22.46% (power energy); CRT, 2.25% (telecoms); Telesp, 1.35% (telecoms); Tele Leste, 11.94% (telecoms); and Tele Sudeste, 1.35% (telecoms); Chile - Essal, 51% (water); Ibener, 26.3% (power energy); Colbun, 5.26% (power energy); and Electroandina, 8.31% (power energy); Argentina - ECS, 17%. Iberdrola plans to invest US\$2.75bil in Latin America between 1999 and 2003. In Brazil, the company will focus on natural gas-fired thermoelectric power energy generation. It considers building plants in the northeastern region along with Petrobras, and in Rio de Janeiro with Riogas and CEG's partners. Iberdrola's investments in Brazil total US\$1.5bil, so far.

⁷⁹ 13 Aug 1999 AENA TO SIGN DOLLARS 261 MLN MEXICAN CONTRACT ON AUG 25:

REUTER ECONOMIC NEWS Reuter Textline (Q2:29) MADRID

Spanish airports authority AENA said on Friday that it had won a Dollars 261 million contract to run Mexico's Pacific region airports and that the formal signing will take place on August 25. AENA, with Spanish partners construction company Dragados and electricity group Fenosa and Mexican hospital group Grupo Angeles, bid the top price for the 50 year Pacific region concession. 'We have received the official confirmation and the signing will be on August 25,' said an AENA spokeswoman.

The concession covers 12 airports including Guadalajara, Tijuana, Puerto Vallarta and Los Cabos which together handle more than 15 million passengers a year, AENA said.

Under the privatization terms, the AENA-led consortium will take a 15 per cent share with the remainder being sold off under a public share issue.

AENA said it already holds the concessions for foreign airports at Barranquilla and Cartagena de las Indias in Colombia. Partner Dragados manages Bogota airport in Colombia and Santiago in Chile.