



To corporatize or not to corporatize (and if so, how?)



David A. McDonald

Queen's University, Global Development Studies, Mac-Corry Hall, Kingston, Ontario, K7K1C5, Canada

ARTICLE INFO

Article history:

Received 10 June 2015

Received in revised form

23 December 2015

Accepted 5 January 2016

Available online 15 January 2016

Keywords:

Corporatization

Neoliberalism

Equity

ABSTRACT

Governments around the world are increasingly turning to the use of stand-alone, state-owned utilities to deliver core services such as water and electricity. This article reviews the history of such 'corporatization' and argues that its recent resurgence has been heavily influenced by neoliberal theory and practice, raising important questions about whether it should be adopted as a public service model. Not all corporatizations promote commercialization, however. The article also discusses stand-alone utilities that have managed to stave off market pressures and develop in more equity-oriented directions. The scope for non-commercialized corporatization is narrow, but given the expansion of this organizational model it is important that we understand both its limitations and potentials, particularly in low-income countries in the South where service gaps are large and equity is a major challenge.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Governments around the world are increasingly turning to the use of stand-alone, state-owned corporations to deliver core services. These 'corporatized' entities are fully owned and operated by the state but function at arm's length, with varying degrees of autonomy. Water and electricity utilities are common examples, but the practice extends to a much wider range of goods and services, including airports, child care, universities, forests, hospitals, transport and manufacturing (Aivazian et al., 2005; Bilodeau et al., 2007; Fink, 2008; Meyer, 2002; Nelson and Nikolakis 2012; Oum et al., 2006; Preker and Harding, 2003; Sumsion, 2006; Zatti, 2012).

Since the 1970s corporatization has been strongly influenced by neoliberal theory and practice, contributing to the creation of commercialized public sector cultures and ideologies, with public utilities being run increasingly on market-oriented operating principles such as financialized performance indicators, cost-reflexive pricing and competitive outsourcing (Hood, 1991; Moynihan, 2006; Osborne and Gaebler, 1992; Shirley, 1999).

Not all corporatizations have been carried out with this commercialization in mind however. Even within market economies there are widely differing motives at play. Some managers and policy-makers see corporatization as a first step toward privatization. Some see it as an opportunity to commercialize services without the political and economic risks of direct private sector participation. Others are committed to social democratic forms of

welfarism, while others still see corporatization as a form of (autocratic) state capitalism.

None of this should come as a surprise given that corporatization is as old and diverse as the state itself. The Achaemenid Empire of Persia was dominated by state enterprises with autonomy from political rulers, run as "professional" entities renowned for their "efficiencies" (Farzmand, 1996, 2–3). Sweden began to "structurally disaggregate the provision and production of public services" as early as the seventeenth century, and has employed modified versions of this institutional arrangement ever since (Moynihan, 2006, 1034). So too did the Soviets experiment with the corporatization model, creating some 750,000 arm's length public enterprises while in power, many of which have since been sold or outsourced, but some of the largest and most strategic remain as stand-alone public agencies (Farzmand, 1996; Painter and Mok, 2010). Contemporary socialist states such as Cuba and Venezuela have created stand-alone public enterprises as well (Alvarez, 2006; Benzing, 2005; Bremmer, 2009; Chavez and Goldfrank, 2004), and China is arguably the most active of all (Aivazian et al., 2005; Ocko and Campo, 1994; Ramesh and Araral, 2010). Even fascist states employed the corporatization model. In Italy, Mussolini created the *Istituto per la Ricostruzione Industriale* (Institute for Industrial Reconstruction) which, "as of the late 1930s ... led to the Italian state owning a bigger share in the economy than in any other country except the USSR" (Baker, 2006, 229).

In other words, the creation of autonomous state-owned service entities is neither historically specific nor ideologically predetermined, with the rationale and operation of such public

E-mail address: dm23@queensu.ca.

enterprises having differed dramatically across place and time. Their only common feature is a quasi-independent cadre of professional bureaucrats tasked with managing and producing a delineated set of goods or services, buffered to some degree from direct political intervention. Whether the aim is to sustain a monarchial elite, advance a racist agenda, build a socialist society, or promote market ideologies, the creation of an arm's length public enterprise can lend itself to radically different political projects.

This elasticity may help to explain its popularity today. Corporatized entities currently “make up the bulk of the public sphere in many Western European countries,” and the practice is widespread in North America (Kickert, 2001, 135; see also Dan et al., 2012; Florio, 2013; Clifton et al., 2007). The literature on corporatization in Asia, Africa and Latin America is not as extensive, making it difficult to estimate its uptake with certainty, but it would appear to be a significant – if not dominant – organizational trend in these regions as well (Chavez and Torres, 2014; Cheung, 2013; Herrera and Post, 2014; McDonald, 2014; Uwizeyimana and Maphunye, 2014; Wong and Chan, 1999).

The question of whether (and how) to corporatize core services is therefore a pertinent and pressing one, for both policy makers and activists alike. This is particularly true in cities and countries in the South, where infrastructure and service delivery gaps are enormous, where the capacity of governments to monitor semi-autonomous utilities varies dramatically, and where commercialization may have pronounced effects on inequality.

Not surprisingly, the literature on corporatization is highly polarized. Writings in favour of corporatization tend to celebrate it as an effective way to depoliticize public services and to improve efficiency using market-like operating principles (OECD, 2005; Osborne and Gaebler, 1992; Preker and Harding, 2003; Shirley, 1999). Those opposed often see corporatization as a vehicle for the introduction of neoliberal forms of ‘new public management’, offering a façade of public ownership while propagating market ideology, pointing to the particularly pernicious effects of corporatization in low-income countries (Blum and Ullman, 2012; Gentle 2009; Magdahl, 2012; van Rooyen and Hall, 2007). These experiences have persuaded many that corporatization is little more than a ruse for commercializing service delivery while deceiving people into thinking that the crisis of privatization has been averted.

I want to argue a middle-ground of sorts in this paper – one that takes concerns with the commercialization of public services seriously while at the same time acknowledging the potential for corporatization to be done in more progressive, equity-oriented ways – even within neoliberal settings. On the critical side I highlight the organizational barriers to broad-based planning brought about by corporatization, with its inherently disaggregated nature. I also underscore the structural influences of the market in shaping the material and ideological character of corporatized services in a neoliberal era, and how this serves to deepen the commodification of public goods, transforming the ways we think about the very meaning of publicness.

But corporatization is not inherently market-oriented. The final section of this paper points to ways that the most negative effects of commercialized forms of corporatization may be avoided, drawing on ‘actually existing’ examples from countries in the South where corporatized services have operated in the broader public interest. The scope for such action may be narrow – and narrowing – but given that corporatization is not going away any time soon it is imperative that we understand both its limitations and potentials in contemporary market economies.

I also argue that ‘traditional’ forms of state service delivery have their own problems, some of which might benefit from the more direct forms of accountability that can be generated by

corporatization. Amalgamated welfare-era services should be fought for and preserved where appropriate, but we must not wax nostalgically about integrated management models that have at times been exclusionary, opaque and blindly productivist in their orientation, particularly in post-colonial states in the South where they have tended to be highly differentiated along race and class lines, and where state-owned service delivery has often been poor or non-existent (Bértola, 2015; Newman and Clarke, 2009). As Ferguson (2009, 169) notes in the African context, “calls for reinstating old-style developmental states ... are understandable in the wake of neoliberal restructuring ... but I am skeptical that this is an adequate response – partly because the supposedly developmental states I know from the 1970s in Africa were pretty awful.”

In the end there are no ‘perfect’ public service delivery models. Water, electricity, health care and other services are far too complex in their social, political, technical, environmental and economic make up to permit any single, universal archetype. We can, however, identify strengths and weaknesses in the corporatization model, and discuss the structural constraints imposed on it by market forces, as we seek possible ways of harnessing it for the delivery of badly-needed essential services and shaping it in more progressive directions.

2. What is corporatization?

Corporatization refers to service agencies that are owned and operated by the state (local or national) but which function at arm's length from government. They typically have separate legal status and an independent board of directors, with all resources being financially ringfenced from government and other state agencies. Where resources continue to be shared by more than one agency (for example, centralized IT services) each ringfenced entity pays a full-cost fee for the use of those assets (Shirley, 1999; Whincop, 2003).

The intent of financial ringfencing is to create a more transparent form of accounting, where all costs and revenues directly related to a service can be clearly identified, along with subsidies in and out of a particular unit. This is designed to identify areas of financial loss or gain that may otherwise be hidden in the intricate accounting and cross-subsidization mechanisms of an integrated, centralized service delivery system. Ringfencing can also serve to insulate revenue-generating utilities from being used as ‘petty cash boxes’ by elected officials or managers from other government units (sometimes for corrupt purposes), serving to protect a utility's financial integrity. And finally, it can allow corporatized agencies to obtain an independent credit rating and borrow money on the open market.

Ringfencing takes on managerial functions as well, with employees working only for the corporatized entity they are attached to, often physically separated from other government units. The intent is to create a merit-based cadre of service-specific experts shielded from the (potential) nepotism of elected officials, the short-term vagaries of election cycles, and demands from other government agencies. The hope is that with corporatization, “managerial autonomy would increase, thereby ensuring that utility revenues would not be squandered through patronage employment and other wasteful expenditures” (Herrera and Post, 2014, 629). This is not to say that corporatization can eliminate conflicts of interest between administrative and executive branches of the state (a tension that goes back at least 2000 years with disputes between ‘legalists’ and ‘Confucianists’ in China (Kamenka, 1989)) but it can create a buffer zone of relative independence for bureaucrats, while at the same time exposing managers to closer public scrutiny.

Finally, corporatization is designed to allow performance

comparisons of different government agencies via the use of standardized measurement criteria. Much of this benchmarking is monetized today, as we shall see below, but radically different indicators and evaluation methods have been employed in the past, such as the ‘targeted output’ criteria used in the former Soviet Union, with individual public enterprises seen as part of a larger ‘organism’ of production (Ericson, 1991).

3. What is neoliberal corporatization?

What, then, is *neoliberal* corporatization? In short, it puts market-based operating mechanisms at the heart of the corporatization model, pushing managers to use market-oriented signals such as price and interest rates as primary factors in their decision making. The financial bottom line of a stand-alone utility is not the only performance criteria employed in these cases but it is a crucial factor in planning and evaluation, with managers frequently remunerated or incentivized according to the surplus/deficit of the agency, with market-based salaries used to attract the ‘best’ personnel. Investment decisions are based on financial returns and money is borrowed at market rates.

Such neoliberalization is never absolute, of course. A bifurcated view of consumers and citizens obscures more complex, politicized and dialectical relationships between individuals and the (neoliberal) state (Furlong, 2013). And yet we can point to an *increasingly neoliberalized* model of corporatization, one that is grounded in the belief that “human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights [and] free markets” (Harvey 2005, 2). The intent here is to create public companies that are owned and operated by the state but run as though they were private firms operating in a competitive marketplace, driven by self-interested, utility maximizing individuals. As Gilbert (2013, 9) puts it:

Neoliberalism advocates a programme of deliberate intervention by government in order to encourage particular types of entrepreneurial, competitive and commercial behaviour in its citizens, ultimately arguing for the management of populations with the aim of cultivating a type of individualistic, competitive, acquisitive and entrepreneurial behaviour ... This is the key difference between classical liberalism and neoliberalism: the former presumes that, left to their own devices, humans will naturally tend to behave in the desired fashion. By contrast the latter assumes that they must be compelled to do so by a benign but frequently directive state.

In this respect, neoliberal corporatization can be seen as an intentional government intervention designed to instill a commercialized ideology into public services, while at the same time attacking the perceived failures of Keynesian-era interventionism, with its (hidden) state subsidies distorting market signals and repressive bureaucratic procedures dampening the ability of the state to respond to larger market trends. As such, neoliberal corporatization is part of a larger shift over the past three decades towards ‘new public management’ (NPM), a governance strategy which Pollitt (2002, 474) characterizes as focusing on results-based management, an emphasis on performance measurements that prioritize market-based indicators and standards, a “preference for more specialized, ‘lean’, ‘flat’ and autonomous organizational forms”, and a “widespread substitution of contract or contract-like relationships for hierarchical relationships”. Debates continue as to how deep and extensive this NPM trend has been, and whether it remains as popular today as it was in the 1990s, but three decades of NPM philosophy has resulted in “a broadening and blurring of the ‘frontier’ between the public and private sectors” and a “shift in value priorities away from universalism, equity, security and

resilience towards efficiency and individualism” (Pollitt and Bouckaert, 2011, 474). Neoliberal corporatization is but one manifestation of this broader public management trend.

Nevertheless, neoliberal corporatization is *not* privatization, and pure market forces never fully apply to state-owned enterprises and ‘natural monopolies’ such as water and electricity. But it is exactly these market limits that have made the corporatization of public services so popular amongst neoliberals, acting as a vehicle to open up new possibilities for market penetration via structural and legislative reforms that introduce commercial principles and mandates into un(der)marketized service sectors (eg. voucher systems that create competition between public agencies operating in different locations (Saltman, 2000; Warner and Gradus, 2011); liberalization that forces public agencies to compete with private companies for their own contracts (Osborne and Hutchinson, 2006); and the ‘unbundling’ of sectors such as electricity in an effort to create vertical competition within public agencies to open additional space for the private sector to compete (Joskow, 1996; Fang and Hill, 2003)).

Some analysts have even argued that neoliberal corporatization is a mere segue to future privatization, instilling market-oriented management cultures and profitable bottom lines to prepare public services for private buyers. After all, few private companies are interested in investing in services with hidden cost structures, or partnering with government agencies that do not share their management philosophies.

According to the OECD (2005, 9), corporatization should not “contradict or discourage countries from undertaking any privatisation policies or programmes”, and the same applies to much of China’s experimentation with corporatization, where many state-owned enterprises are being prepared for “eventual privatization” (Aivazian et al., 2005, 791; see also Zhang, 2014). In some cases neoliberal corporatization has been used as an opportunity to introduce market mechanisms (such as cost-reflexive pricing) while the service is still in public hands, sparing private companies the wrath of consumers when it is privatized. In Manila and Buenos Aires, for example, water prices were intentionally increased by corporatized public utilities prior to privatization (Dumol, 2000; Loftus and McDonald, 2001). But even when privatization is not the end goal the result can be much the same: public agencies acting like private companies (Blum and Ullman, 2012). The trend toward performance-based salaries for senior managers and other narrow pecuniary incentives often lead to changes in management ethos, with a focus on short-term financial bottom lines, creating publicly owned and operated entities that mimic private sector discourse and practice (Taylor-Gooby, 2000).

Many of these corporatized utilities are increasingly international in their operations as well (Clifton et al., 2007; Furlong, 2015; Chavez and Torres, 2014). In some cases they even celebrate their ‘public’ status at home while aggressively seeking for-profit contracts outside their jurisdictions. Rand Water and Eskom (electricity) in South Africa are illustrative of this trend. While trumpeting their role as public providers in a post-apartheid era they have taken private sector contracts elsewhere on the continent, where they behave like (and are perceived as) any other profit-seeking multinational corporation (van Rooyen and Hall, 2007; Gentle 2009). It is not clear how extensive this kind of dual internationalized practice has become, but there are many examples, such as the case of Manitoba Hydro (Canada), which has a contract to privatize Nigeria’s electricity transmission network while it fights off privatization attempts at home by citing the merits of public control (Price, 2014). Little wonder that some critics see neoliberal corporatization as the proverbial wolf in sheep’s clothing, offering a façade of public ownership while propagating market ideologies. Neoliberal corporatization may be

'public' in name, but not necessarily in character.

3.1. Exacerbating myopia

Another concern with neoliberal forms of corporatization is that they can exacerbate an inherently blinkered model of management. By their very nature corporatized agencies are compartmentalized into silos, making it difficult to coordinate management and finance across units, potentially undermining synergistic planning, resource use and economies of scale (Bollier, 2003; Whincop, 2003). Neoliberal corporatization can make this myopia worse, emphasising a (ringfenced) financial bottom line and promoting monetized forms of performance evaluation, even if these goals come at a cost to their sister units or to the larger public good.

Under such conditions cross-subsidization can become difficult, if not impossible. Where incomes from revenue-generating services such as electricity might support non-revenue generating services such as libraries, managers are often disinclined (and disincentivized) to harm their financial situation by sharing resources. At the same time, elected officials may have lost their authority to demand inter-unit transfers (Nor-Aziah and Scapens, 2007; Pollitt, 2006; Pollitt and Talbot, 2004). Such isolationism is particularly problematic in lower-income countries in the South, where infrastructure gaps are enormous and where collective economies of scale could be used to expand service access across a broader range of sectors.

The end result is often a focus on (full) cost recovery by managers within stand-alone agencies, on the assumption that they are unlikely to receive subsidies from other units or levels of government. This is an understandable decision by managers wanting to protect the financial sustainability of their utility, but too much emphasis on recouping costs within a stand-alone agency can create affordability problems for the poor, with cut-offs in services such as water and electricity potentially undermining public goods such as health and education. To illustrate once again with an example from South Africa, millions of low-income households in that country have had water and electricity cut-off by publicly-owned Eskom and Rand Water because they could not afford to pay for them, resulting in a myriad of social, economic and environmental costs (Gentle 2009; Magdahl, 2012; van Rooyen and Hall, 2007; Von Schnitzler, 2008). In at least one case, the introduction of pre-paid water meters (in an effort to increase cost recovery) was partly responsible for an outbreak of cholera, costing the state tens of millions of Rand in emergency services, undermining whatever small financial gains may have been made in water revenue collection (Hemson, 2006). There are inter-governmental transfers and tariff structures in place to support the poor in South Africa, but for many households these subsidies are simply inadequate, aggravated by corporatization, and contributing to one of the most active anti-commercialization protest movements in the world (Alexander and Pfaffe, 2014).

Monetized incentives can also serve to undermine personal relationships within government, eroding the kinds of "high-trust relationships" that "lower transaction costs within the public sector and make it more efficient than it would be if each action had to be negotiated and costed on a low-trust basis" (Hood, 1995, 94). The constant threat of privatization, or having to compete for one's own contracts, makes the sharing of information within and across corporatized utilities less likely, instilling a heightened sense of privacy and secrecy as cost data becomes commercially confidential.

3.2. Commodification

Another concern with agency-specific financial bottom lines is

that they serve to intensify the commodification process – the transformation of use values (qualitatively defined characteristics of a good or service that differentiate it from others) into exchange values (its monetary price, defined by the market), with goods and services increasingly defined and valorized by their (fluctuating) price. Thus water, with its qualitatively different use values (eg. religious practice, aesthetic beauty, recreational enjoyment, physiological necessity) becomes a more homogenized commodity in the exchange process (Watts, 1999). Service users are increasingly seen (and come to see themselves) as 'customers' instead of 'citizens', with public amenities perceived more like private commodities to be bought on the market, dissociated from broader public goods and concealing the complex social and labour arrangements behind their exchange price (Clarke et al., 2007).

This commodification process allows utility managers to argue that the only way to truly 'appreciate' a service is to pay for it (ideally at full market cost), sidelining or eradicating non-commodified valuations that might also be associated with a service. If a value cannot be expressed in monetary terms it risks not being included in decision making at all. Under these conditions how does a manager value non-monetized goals such as improved dignity from better sanitation services, or the spiritual comfort one may obtain from a free-flowing river? The pace and scale of commodification is uneven, and differs from sector to sector (with water being particularly 'uncooperative' in this regard due to its biophysical characteristics (Bakker, 2004, 2007; Williams and Windebank, 2003)), but "the reality of capitalism is that ever more of social life is mediated through and by the market" (Watts, 1999, 312), with far-reaching transformative effects on the public services we use.

This is not a uniquely neoliberal phenomenon. All market-based service delivery systems are under pressure to bring goods and services into the exchange process, and to promote capital accumulation in an increasingly competitive global economy. Investments in the built environment are central to the 'spatial fix' of capitalism, with the state constantly entangled in the making and remaking of the social and physical infrastructures necessary for private profit (Harvey, 1982). Keynesian-era welfare states may have been better at distributing the benefits of these public investments, and, to varying extents, slowing the commodification process, but they too were designed to build mass consumption societies and deepen market relations (Gough, 1979; Esping-Anderson, 1990). These are the cascading effects of commodification and are inherent to all capitalist economies. Neoliberal corporatization merely accelerates the process.

4. Long live corporatization?

Given these concerns, and the increasingly neoliberal character of corporatization worldwide, should we reject the corporatization model outright, particularly when it comes to essential services such as water and electricity in low-income countries in the South? Yes and no. If the intent of corporatization is simply to reveal the financial costs of operation with the hopes of future privatization, or to achieve the same narrow aims of commercialization via state ownership, then we should reject it as a 'progressive' public service model. On the other hand, if the aim of corporatization is to improve equity and affordability, to make public services more accountable to the poor, and to mitigate the commodification process, then stand-alone public services can be worth pursuing, particularly if they can stave off privatization and/or expose unethical state officials to closer public examination.

The challenge is finding ways of ringfencing utilities that can resist the hyper-commercialization of neoliberalized forms of corporatization. There are no simple or singular strategies to

accomplish this, but there are corporatization strategies that can reduce unevenness and better advance public goals. The following sections highlight three approaches that policy makers and activists can pursue in an effort to construct more progressive forms of corporatization.

4.1. (Re)Connecting the dots

As noted previously, corporatization is intrinsically about erecting financial and managerial walls. But it is also true that these partitions are negotiated and negotiable (Herrera and Post, 2014). Corporatized entities can allow for autonomy and promote collaboration. Ring-fencing should be seen as a fluid arrangement – not one carved in stone – allowing for the facilitation of cooperation and communication between agencies and facilitating holistic planning across services where and when appropriate. Aggregation and disaggregation are flip-sides of the same coin, constantly being revised depending on the aims of a particular public service and the nature of the social contract that shaped it.

An example of such flexible corporatized arrangements can be seen in Uruguay's state-owned service agencies (water and sanitation (OSE), electricity (UTE), railways (AFE), energy (ANCAP) and telecommunications (ANTEL)). There is considerable horizontal integration amongst them, and there are regular high-level meetings between the heads of each unit (Chavez and Torres, 2014). This was not always the case, however, with current dynamics being the product of reforms undertaken by the social democratic *Frente Amplio* coalition, first elected in 2004; part of a broader set of institutional and ideological shifts taking place in the country, including an amendment to the Constitution which made it illegal to privatize water – the first country in the world to do so (Terhorst et al., 2013). Prior to these reforms, these agencies were largely neoliberal in their orientation (and before that, run by an authoritarian regime). In the process of change Uruguay has managed to provide almost universal coverage of essential services such as water and electricity at affordable rates, as well as reliable and widespread public transportation and telecommunication networks, contributing to one of the highest standards of living in Latin America (Spronk et al., 2014; Chavez and Torres, 2014).

The fact that Uruguay's service infrastructures were relatively strong prior to these reforms contributed to the ability of these agencies to work together, as did the fact that Uruguay is a comparatively small and homogenous country, but their achievements nevertheless serve as an illustration of the kinds of progressive gains that thoughtful corporatizations can accomplish. Nevertheless, Uruguay's corporatized entities are vulnerable. Although the governing coalition was re-elected in 2009 and 2014, both elections were hotly contested by opposition parties that have promised a return to more market-oriented model of state-owned enterprises should they re-take power. There are also contradictions that remain, such as the fact that private water companies continue to operate in the country despite the Constitutional amendment, while broader market forces limit the potential for more radical efforts to decommodify services more broadly (Spronk et al., 2014).

Costa Rica's electricity provider (*Instituto Costarricense de Electricidad* – ICE) is another example of a corporatized entity that has extended services almost universally, and which scores well on a wide range of non-monetized performance measures such as quality, affordability, public ethos and environmental sustainability due to its ability to think outside its own service silo. ICE has been run on a *modelo solidario* (solidarity model) since 1949, a social compact that has made Costa Rica unique in the region, with its citizens aware of the state's contributions to national development, propelling them to resist attempts to privatize public enterprises

and to fight for non-commercialized forms of service delivery. ICE has achieved Latin America's most inclusive [electricity] coverage, enabling investment in socially advantageous but economically unprofitable projects, such as the extension of service to geographically remote or sparsely populated areas (Chavez, 2014, 39).

But here too we see fragility, with growing pressures within Costa Rica to marketize public services, and with a mounting emphasis on cost recovery. The agency has come under pressure to generate financial surplus to assist with national government's fiscal deficit, and there are legislative proposals for future privatization (Chavez, 2014, 48). There appears to be strong commitment amongst bureaucrats, policy makers and citizens to retain ICE's social agenda (Ramos, 2014), but even after six decades of progressive corporatization the public character of ICE is far from guaranteed.

A third example of a well-integrated corporatized entity is the multi-utility agency of Medellín, Colombia (*Empresas Públicas de Medellín* – EPM). EPM is renowned for its extensive range of operations and its broad service coverage, as well as for its contribution to the city's overall development by transferring as much as 30 per cent of its annual revenues to the municipal government for general use. It is cited as a model public enterprise in Latin America and is, for many Colombians, a source of national pride, illustrating how public goods can be negotiated between citizen groups and a utility (Furlong, 2015; Guerrero et al., 2015). But here as well we see creeping forms of commercialization, with the introduction of cost-reflexive pricing via user fees and pre-paid meters, with as many as 10% of households having had their water disconnected on an annual basis due to non-payment of bills (Furlong, 2013, 1186). How deep these commercialization pressures run, and how long EPM can retain its multi-service public orientation remains to be seen.

4.2. New benchmarking

Another possible way to mitigate commercialization within corporatization is to develop alternative forms of performance evaluation and benchmarking. Benchmarking is relatively new to the public sector – having been developed for use in the private sector in the 1970s – but is now widespread, particularly amongst corporatized agencies where it is easier to compartmentalize and measure.

Much of this performance evaluation is being driven by technocrats in a handful of highly-centralized institutions in the North, such as the International Organization for Standardization (ISO) (Nadvi and Waltring, 2004; Prakash and Potoski, 2006). Intended to enhance transparency and accountability by making performance data more readily available to the general public, standardized performance measurements have developed a common language and evaluation system that can theoretically be adopted for use anywhere in the world.

Critics argue that these measurement schemes serve to reduce transparency, given that they tend to be conducted by “experts” behind closed doors and manipulated by managers and policy-makers that want to “produce truth” in ways that may be disconnected from realities on the ground (Boelens and Vos, 2012, 18). In this regard, benchmarking is seen by some as a gatekeeping tool for constructing “common sense”, often celebrating market-based concepts of success and progress while marginalising alternative forms of service governance and valuation (Bowerman and Francis, 2001). It has also been argued that performance assessment and benchmarking are used to promote commercialisation by giving competitive advantage to private operators in rule setting, with organizations such as the ISO being stacked with large multinational corporations acting in their own interests, making them little

more than “corporate private regimes” (Haufler, 2000, 6).

But benchmarking, like corporatization, is not inherently neoliberal. The dominant benchmarking systems for water may be commercial in their orientation (such AquaRating, a for-profit proprietary scheme developed by the Inter-American Development Bank and the International Water Association, being piloted in Latin America (Krause et al., 2012)), but performance measurement need not promote commercialization. Alternative evaluation systems can be developed to promote more progressive comparisons of corporatized service operators and to democratize the assessment process.

In other words, instead of rejecting benchmarking outright – as some critics do – it may be possible to develop alternative evaluation methods that emphasize qualitative factors such as “equity, stabilization, and social and environmental sustainability” (Lefebvre and Vietorisz, 2007, 139–140). Some commercial performance indicators should be retained to track important financial data, but these monetized criteria should be complemented by measurements that provide a deeper understanding of a utility’s ‘public’ performance. To illustrate, data collection on rates of financial cost recovery could be complemented by an analysis of how pricing in one sector affects access and affordability in another, or the extent to which it contributes to service cut-offs (factors that tend to be ignored or marginalized in mainstream benchmarking frameworks (McDonald, 2014)). The narrow focus on financial efficiency that dominates benchmarking systems today could be converted to broader concepts of “social efficiency”, serving to acknowledge the importance of financial resources while at the same time revealing the ways in which an agency’s bottom line may actually undermine its broader public mandates (Lefebvre and Vietorisz, 2007; Spronk, 2010).

The development of alternative performance evaluation systems will not be an easy task technically or politically, particularly given the synergistic ways in which current benchmarking systems reinforce commercialization and the vast resources available to mainstream benchmarking organizations with a vested interest in promoting their models. So too will many utility operators resist change, particularly those that have devoted resources and political capital to adopting these benchmarking frameworks. Even managers and policy makers who share the concerns outlined above may find it difficult to change direction given the inertia of current measurement standards and the time and energy required to shift analytical gears. Uruguay’s national water operator (OSE) is a case in point: despite having a division within OSE that focuses on ‘social indicators’ of water provision it agreed to field test AquaRating’s mainstream benchmarking model (although some OSE managers acknowledge that they are uncomfortable with its framework (Dumontier et al., 2016)).

4.3. New forms of training

A third change that could contribute to more progressive forms of corporatization is the development of education and training systems for employees and policy makers that disrupt neoliberal pedagogies, particularly in countries in the South where international financial institutions dominate the discourse and funding of public service education. As Pollitt and Bouckaert (2011, 1) note, the “importing and exporting of public management ideas and practices has always been greatly facilitated by international and supranational bodies such as the Public Management Service of the OECD (PUMA), the World Bank, and the European Commission.”

The World Bank has been particularly active in promoting neoliberal corporatization in the South, as well as financing its implementation. ONEA in Burkina Faso is one such example, as are experiences with the corporatization of water in South Africa,

Tanzania and Zambia (Baron, 2014; Cocq, 2005; McDonald and Ruiters, 2005; Dagdeviren, 2008; Pigeon, 2012; Smith, 2004). The World Bank (2012) has made it clear that it sees itself as a “knowledge bank” in this regard, “committed to remaining the premier source of development knowledge through reports, data and analytical tools, conferences, and the Internet” (Magdahl, 2012, 20). It actively promotes the corporatization of water services through “strategy documents, reports, presentations, ready-made multimedia learning modules, a toolkit and a manual for the reform of water services, lectures at various conferences, advisory roles in reform processes in developing countries, etc.” In this respect the World Bank “exerts an agenda-setting authority ... by marginalising political alternatives, disagreement and criticism” (Magdahl, 2012, 20; see also Murphy, 2008; Williams-Elegbe, 2013). Untold millions of dollars are spent each year on training manuals, conferences and workshops that reproduce the ideas and practices of new public management.

Alternative training systems and ideas will not come easy, requiring small steps and strategic interventions, including the development of in-house training alternatives by public sector unions. Thirty years of neoliberal public management ideologies will not disappear overnight, but counter-hegemonic vocabularies and pedagogies are vital if we are to shift away from the ideas and practices of neoliberal corporatizations of the past.

5. Conclusion

With all this ambiguity, policy makers and activists can be excused for being uncertain about how and if to adopt corporatization. State-owned and -operated utilities can serve the public interest at large but they can also behave like private companies, serving to deepen the commercialization of essential services under the banner of being public. The fact that some corporatized agencies have managed to create integrated, equity-oriented forms of service delivery suggests that it can be done, however, and there is no reason that it cannot be replicated elsewhere.

The actions required for creating more progressive forms of corporatization will vary from place to place. There is no magic blueprint – which may be the biggest challenge of all. For decades, policy gurus on the left and right have advanced universalistic models of service delivery that changed little across space and time. These meta-narratives are breaking down and fracturing along complex ideological and organizational lines, opening up the possibility for non-neoliberal forms of corporatization that make sense in their context.

Sharing experiences across jurisdictions will be an important part of expanding our knowledge of ‘good’ (as opposed to ‘best’) corporatization practices, advancing awareness of progressive forms of utility operation and contributing to the building of a broad international pro-public movement. Knowing more about the potential for better forms of corporatization is a first step towards their realization.

Acknowledgements

The author would like to thank Kathryn Furlong and the two anonymous referees for their very useful comments on earlier versions of this paper. Funding for the research has been provided by the International Development Research Centre of Canada (IDRC) and the Municipal Services Project.

References

Aivazian, V.A., Ge, Y., Qui, J., 2005. Can corporatization improve the performance of state-owned enterprises even without privatization? *J. Corp. Finance* 11 (5),

- 791–808.
- Alexander, P., Pfaffe, P., 2014. Social relationships to the means and ends of protest in South Africa's ongoing rebellion of the poor: the balfour insurrections. *Soc. Mov. Stud.* 13 (2), 204–221.
- Alvarez, J., 2006. Privatization of state-owned agricultural enterprises in post-transition Cuba. *Probl. Post Communism* 53 (6), 30–45.
- Baker, D., 2006. The political economy of fascism: myth or reality, or myth and reality? *New Polit. Econ.* 11 (2), 227–250.
- Bakker, K.J., 2004. An Uncooperative Commodity: Privatizing Water in England and Wales. Oxford University Press.
- Bakker, K., 2007. The “Commons” versus the “Commodity”: alter-globalization, anti-privatization and the human right to water in the global south. *Antipode* 39 (3), 430–455.
- Baron, C., 2014. Hybrid water governance in Burkina Faso: the ONEA experience. In: McDonald, D. (Ed.), *Rethinking Corporatization and Public Services in the Global South*. Zed Books, London, pp. 62–87.
- Benzing, C., 2005. Cuba—Is the “special period” really over? *Int. Adv. Econ. Res.* 11 (1), 69–82.
- Bértola, L., 2015. Welfare states and development patterns in latin america. In: Badia-Miró, M., Pinilla, V., Willebald, H. (Eds.), *Natural Resources and Economic Growth: Learning from History*. Routledge, New York.
- Bilodeau, N., Laurin, C., Vining, A., 2007. Choice of organizational form makes a real difference: the impact of corporatization on government agencies in Canada. *J. Public Adm. Res. Theory* 17 (1), 119–147.
- Blum, D., Ullman, C., 2012. The globalization and corporatization of education: the limits and liminality of the market mantra. *Int. J. Qual. Stud. Educ.* 25 (4), 367–373.
- Boelens, R., Vos, J., 2012. The danger of naturalizing water policy concepts: water productivity and efficiency discourses from field irrigation to virtual water trade. *Agric. Water Manag.* 108, 16–26 p.18.
- Bollier, D., 2003. *Silent Theft: the Private Plunder of Our Common Wealth*. Routledge, London.
- Bowerman, M., Francis, G., 2001. Benchmarking as a tool for modernization of local government. *Financ. Account. Manag.* 17 (4), 321–329.
- Bremmer, I., 2009. State capitalism comes of age: the end of the free market? *Foreign Aff.* 40–55.
- Chavez, D., 2014. An exceptional electricity company in an atypical social democracy: Costa Rica's ICE. In: McDonald, D.A. (Ed.), *Rethinking Corporatization: Public Utilities in the Global South*. Zed Books, London, pp. 31–61.
- Chavez, D., Goldfrank, B., 2004. *The Left in the City*. Latin America Bureau, London.
- Chavez, D., Torres, S., 2014. *Reorienting Development: State-owned Enterprises in Latin America and the World*. Transnational Institute, Amsterdam.
- Cheung, A.B., 2013. Can there be an asian model of public administration? *Public Adm. Dev.* 33 (4), 249–261.
- Clarke, J., Newman, J., Smith, N., Vidler, E., Westmarland, L., 2007. *Creating Citizen-consumers: Changing Publics and Changing Public Services*. Sage Press, Thousand Oaks.
- Clifton, J., Comin, F., Diaz-Fuentes, D. (Eds.), 2007. *Transforming Public Service Enterprises in Europe and North America: Networks, Integration and Transnationalisation*. Palgrave, New York.
- Cocq, K., 2005. There is still no alternative: Fixing failed privatization with more privatization — the case of Lusaka. In: McDonald, D.A., Ruiters, G. (Eds.), *The Age of Commodity: Water Privatization in Southern Africa*. Earthscan Press, London, pp. 230–255.
- Dagdeviren, H., 2008. Waiting for miracles: the commercialization of urban water services in Zambia. *Dev. Change* 39 (1), 101–121.
- Dan, S., Jilke, S., Pollitt, C., van Delft, R., Van de Walle, S., van Thiel, S., 2012. *Effects of Privatization and Agencification on Citizens and Citizenship: an International Comparison*. COCOPS Policy Paper, February. http://www.eerstekamer.nl/id/vj45isjpadtf/document_extern/effects_of_privatization_and/f=/vj45it0u3itp.pdf (accessed on February 27, 2013).
- Dumol, M., 2000. *The Manila Water Concession: A Key Government Official's Diary of the World's Largest Water Privatization*. Directions in Development. World Bank Publications, Washington, D.C.
- Dumontier, M.D., McDonald, D.A., Spronk, S., Baron, C., Wartchow, D., 2016. *Social Efficiency and the Future of Water Operators' Partnerships*. MSP Occasional Paper No 29. Municipal Services Project, Cape Town.
- Ericson, R.E., 1991. The classical soviet-type economy: nature of the system and implications for reform. *J. Econ. Perspect.* 11–27.
- Esping-Anderson, G., 1990. *The Three Worlds of Welfare Capitalism*. Polity Press, Cambridge.
- Fang, R., Hill, D.J., 2003. A new strategy for transmission expansion in competitive electricity markets. *Power Syst. IEEE Trans.* 18 (1), 374–380.
- Farazmand, A., 1996. *Public Enterprise Management: International Case Studies*. Greenwood Press, London.
- Ferguson, J., 2009. The uses of neoliberalism. *Antipode* 41 (s1), 166–184.
- Fink, L., 2008. Corporatization and what we can do about it. *Hist. Teach.* 41 (2), 229–233.
- Florio, M., 2013. *Network Industries and Social Welfare: The Experiment That Reshuffled European Utilities*. Oxford University Press, Oxford.
- Furlong, K., 2013. The dialectics of equity: consumer citizenship and the extension of water supply in Medellín, Colombia. *Ann. Assoc. Am. Geogr.* 103 (5), 1176–1192.
- Furlong, K., 2015. Water and the entrepreneurial city: the territorial expansion of public utility companies from Colombia and the Netherlands. *Geoforum* 58, 195–207.
- Gentle, L., 2009. Escom to Eskom: from racial Keynesian capitalism to neoliberalism (1910–1994). In: McDonald, D.A. (Ed.), *Electric Capitalism: Recolonizing Africa on the Power Grid*. Earthscan, London, 2009.
- Gilbert, J., 2013. What kind of thing is ‘Neoliberalism’? *New Form. a J. Cult. Theory Politics* 80 (80), 7–22.
- Gough, I., 1979. *The Political Economy of the Welfare State (Critical Texts in Social Work & the Welfare State)*. Palgrave Macmillan, New York.
- Guerrero, T.A., Furlong, K., Arias, J., 2015. Complicating neoliberalization and decentralization: the non-linear experience of Colombian water supply, 1909–2012. published online April 15 *Int. J. Water Resour. Dev.* 1–17.
- Harvey, D., 1982. *The Limits to Capital*. Chicago University Press, Chicago.
- Haufler, V., 2000. *Negotiating International Standards for Environmental Management Systems: the ISO 14000 Standards*. UN Vision Project on Global Public Policy Networks, New York.
- Hemson, D., 2006. *Still Paying the Price: Revisiting the Cholera Epidemic of 2000–2001 in South Africa*. MSP Occasional Paper No.10. Municipal Services Project, Cape Town. accessed online June 10 2009 at <http://www.municipalservicesproject.org/publication/still-paying-price-revisiting-cholera-epidemic-2000-2001-south-africa>.
- Herrera, V., Post, A.E., 2014. Can developing countries both decentralize and depoliticize urban water services? evaluating the legacy of the 1990s reform wave. *World Dev.* 64, 621–641.
- Hood, C., 1991. A public management for all seasons? *Public Adm.* 69 (1), 3–19.
- Hood, C., 1995. The ‘New public management’ in the 1980s: variations on a theme. In: *Accounting, Organizations and Society*, 20, pp. 93–109. No2–3.
- Joskow, P.L., 1996. Introducing competition into regulated network industries: from hierarchies to markets in electricity. *Ind. Corp. Change* 5 (2), 341–382.
- Kamenka, E., 1989. *Bureaucracy*. Oxford, Blackwell.
- Kickert, W.J.M., 2001. Public management of hybrid organizations: governance of quasi-autonomous executive agencies. *Int. Public Manag. J.* 4 (2), 135–150.
- Krause, M., Cabrera, E., Cubillo, F., 2012. AquaRating: an innovative system for assessing utility practice and performance. *Water Util.* 21, 65–66. August.
- Lefebvre, L., Vektorisz, T., 2007. The meaning of social efficiency. *Rev. Political Econ.* 19 (2), 139–164.
- Loftus, A.J., McDonald, D.A., 2001. Of liquid dreams: a political ecology of water privatization in buenos Aires. *Environ. Urban.* 13 (2), 179–199.
- Magdahl, J.O., 2012. From Privatisation to Corporatisation: Exploring the Strategic Shift in Neoliberal Policy on Urban Water Services. FIVAS, Association for International Water Studies.
- McDonald, D. (Ed.), 2014. *Rethinking Corporatization and Public Services in the Global South*. Zed Books, London.
- McDonald, D.A., Ruiters, G., 2005. *The Age of Commodity: Water Privatization in Southern Africa*. Earthscan, London.
- Meyer, H.D., 2002. The new managerialism in education management: corporatization or organizational learning? *J. Educ. Adm.* 40 (6), 534–551.
- Moynihan, D.P., 2006. Ambiguity in policy lessons: the agencification experience. *Public Adm.* 84 (4), 1029–1050.
- Murphy, J., 2008. *The World Bank and Global Managerialism*. Routledge, New York.
- Nadvi, K., Waltring, F., 2004. Making sense of global standards. In: Schmitz, H. (Ed.), *Local Enterprises in the Global Economy: Issues of Governance and Upgrading*. Cheltenham. Edward Elgar Publishing, pp. 53–95.
- Nelson, H.W., Nikolakis, W., 2012. How does corporatization improve the performance of government agencies? lessons from the restructuring of state-owned forest agencies in Australia. *Int. Public Manag. J.* 15 (3), 364–391.
- Newman, J., Clarke, J., 2009. *Publics, Politics and Power: Remaking the Public in Public Services*. SAGE Publications, Thousand Oaks.
- Nor-Aziah, A.K., Scapens, R.W., 2007. Corporatisation and accounting change: the role of accounting and accountants in a Malaysian public utility. *Manag. Account. Res.* 18 (2), 209–247.
- Ocko, J., Campo, L., 1994. Focus on the corporatization process in China. *Duke J. Comp. Int. Law* 5, 145.
- Organization for Economic Development and Co-operation (OECD), 2005. *OECD Guidelines on Corporate Governance of State-owned Enterprises*. OECD Publishing, Paris.
- Osborne, D., Gaebler, T., 1992. *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector*. Addison-Wesley, Reading, MA.
- Osborne, D., Hutchinson, P., 2006. *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*. Basic Books.
- Oum, T.H., Adler, N., Yu, C., 2006. Privatization, corporatization, ownership forms and their effects on the performance of the world's major airports. *J. Air Transp. Manag.* 12 (3), 109–121.
- Painter, M., Mok, K.H., 2010. Reasserting the public in public service delivery: the de-privatization and de-marketization of education in China. In: Ramesh, M., Araral Jr., E., Wu, X. (Eds.), *Reasserting the Public in Public Services: New Public Management Reforms*. Routledge, New York.
- Pigeon, M., 2012. From Fiasco to DAWASCO: remunicipalising water systems in Dar es Salaam, Tanzania. In: Pigeon, M., McDonald, D.A., Hoedeman, O., Kishimoto, S. (Eds.), *Remunicipalisation: Putting Water Back into Public Hands*. TNI, Amsterdam, pp. 40–57.
- Pollitt, C., 2006. Performance management in practice: a comparative study of executive agencies. *J. Public Adm. Res. Theory* 16 (1), 25–44.
- Pollitt, C., Bouckaert, G., 2011. *Public Management Reform: A Comparative Analysis: New Public Management, Governance, and the Neo-weberian State*. Oxford University Press, Oxford.

- Pollitt, C., Talbot, C., 2004. *Unbundled Government: a Critical Analysis of the Global Trend to Agencies, Quangos and Contractualisation*. Routledge/Taylor and Francis, London and New York.
- Prakash, A., Potoski, M., 2006. Racing to the bottom? trade, environmental governance, and ISO 14001. *Am. J. Political Sci.* 50 (2), 350–364.
- Preker, A.S., Harding, A., 2003. *Innovations in Health Service Delivery: the Corporatization of Public Hospitals*. World Bank, Washington, DC.
- Price, S., 2014. *Public Utilities Exporting Privatization*. The Dominion. April, Accessed online on January 21 2015 at: <http://dominion.mediacoop.ca/story/public-utilities-exporting-privatization/20618>.
- Ramesh, M., Araral, E., 2010. Reasserting the role of the state in public services. In: Ramesh, M., Araral Jr., E., Wu, X. (Eds.), *Reasserting the Public in Public Services: New Public Management Reforms*. Routledge, New York, pp. 1–16.
- Ramos, A.C., 2014. State-owned enterprises and development in Costa Rica. In: Chavez, D., Torres, S. (Eds.), *Reorienting Development: State-owned Enterprises in Latin America and the World*. Transnational Institute, Amsterdam, pp. 119–138.
- Saltman, K.J., 2000. *Collateral Damage: Corporatizing Public Schools—a Threat to Democracy*. Rowman & Littlefield.
- Shirley, M.M., 1999. Bureaucrats in business: the roles of privatization versus corporatization in state-owned enterprise reform. *World Dev.* 27 (1), 115–136.
- Smith, L., 2004. The murky waters of the second wave of neoliberalism: corporatization as a service delivery model in Cape Town. *Geoforum* 35 (3), 375–393.
- Spronk, S., 2010. Water and sanitation utilities in the global South: re-centering the debate on “efficiency”. *Rev. Radic. Political Econ.* 42 (2), 156–174.
- Spronk, S., Crespo, C., Olivera, M., 2014. Modernization and the boundaries of public water in Uruguay. In: McDonald, D.A. (Ed.), *Rethinking Corporatization and Public Services in the Global South*. Zed Books, London.
- Sumsion, J., 2006. The corporatization of Australian childcare: towards an ethical audit and research agenda. *J. Early Child. Res.* 4, 99–120.
- Taylor-Gooby, P., 2000. *Risk, Trust and Welfare*. Macmillan, Houndsmill.
- Terhorst, P., Olivera, M., Dwinell, A., 2013. Social movements, left governments, and the limits of water sector reform in Latin America's left turn. *Lat. Am. Perspect.* 40 (4), 55–69.
- Uwizeyimana, D.E., Maphunye, K.J., 2014. The changing global public administration and its theoretical and practical implications for Africa. *J. Public Adm. Policy Res.* 6 (4), 90.
- van Rooyen, C., Hall, D., 2007. *Public Is as Private Does: the Confused Case of Rand Water in South Africa*. MSP Occasional Paper no.15. Municipal Services Project, Cape Town.
- Von Schnitzler, A., 2008. Citizenship prepaid: water, calculability, and technopolitics in South Africa. *J. South. Afr. Stud.* 34 (4), 899–917.
- Warner, M.E., Gradus, R.H., 2011. The consequences of implementing a child care voucher scheme: evidence from Australia, the Netherlands and the USA. *Soc. Policy & Adm.* 45 (5), 569–592.
- Watts, M., 1999. *Commodities*. In: Cloke, P., Crang, P., Goodwin, M. (Eds.), *Introducing Human Geographies*. Arnold, London.
- Whincop, M.J., 2003. *From Bureaucracy to Business Enterprise: Legal and Policy Issues in the Transformation of Government Services*. Ashgate, Aldershot.
- Williams, C.C., Windebank, J., 2003. The slow advance and uneven penetration of commodification. *Int. J. Urban Reg. Res.* 27 (2), 250–264.
- Williams-Elegbe, S., 2013. The world Bank's influence on procurement reform in Africa. *Afr. J. Int. Comp. Law* 21, 95–119.
- Wong, H.K., Chan, H.S., 1999. *Handbook of Comparative Public Administration in the Asia-Pacific Basin*, vol. 73. CRC Press.
- World Bank, 2012. *About Us, Our Work*. <http://go.worldbank.org/DM4A38OWJ0> (accessed June 17, 2013).
- Zatti, A., 2012. New organizational models in European local public transport: from myth to reality. *Ann. Public Coop. Econ.* 83, 533–559.
- Zhang, Y., 2014. From state to market: private participation in China's urban infrastructure sectors, 1992–2008. *World Dev.* 64, 473–486.