

Water Supply and Sanitation Policy and Privatization in Brazil:

Historical Legacies and Contemporary Debates on the Privatization of SABESP

Author: Mateo Groot;

Supervisor and first examiner: Dr. Robert Coates;

Second examiner: Dr. Ingrid Boas



M.Sc. Thesis Environmental Policy: ENP80436

Student ID: 1050745

Date: August 21, 2024

Chairgroups: Environmental Policy;
Sociology of Development & Change



Abstract

This thesis examines the debates surrounding the privatization of SABESP (São Paulo's State Water and Wastewater Utility) within the broader context of Brazil's Water Supply and Sanitation (WSS) challenges. Analyzing historical and current debates, including public hearings, interviews, and academic insights, revealed how past experiences with WSS governance in Brazil reverberate in current concerns about the privatization of SABESP. Despite regulatory reforms, persistent concerns remain regarding undemocratic processes, prioritization of commercial interests over public welfare, and the perpetuation of socio-environmental disparities, particularly in underserved peripheral areas. Privatization dynamics in Brazil reflect wider global neoliberal patterns, where neoliberal projects are frequently funded and facilitated through state support, which sometimes involves coercive, covert, and post-truth tactics. The research recommends additional measures that mitigate the risks associated with privatization to ensure that the promised benefits of privatization, such as equitable and affordable WSS access, are felt by everyone. This involves integrated, cross-sectoral governance with robust regulatory oversight, enhanced social control, and public participation, particularly from disadvantaged populations. As alternatives to privatization, the benefits and drawbacks of public and community-based management approaches are explored. To transcend public-private debates, it is essential to recognize that issues of regressive tariff rates, policy exclusion, and unsustainability can persist regardless of the ownership model. For WSS governance to be effective, inclusive, and sustainable, future research and policy should continue to explore transformative approaches that challenge entrenched management approaches based on centralized technocratic control and neoliberal logic.

Key words: Water Supply and Sanitation (WSS), Governance, Privatization, SABESP, São Paulo Metropolitan Region (SPMR), political ecology, Neoliberalism

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List of Abbreviations

ALESP: *Assembleia Legislativa do Estado de São Paulo* (São Paulo State Legislative Assembly)

ARSESP: *Agência Reguladora de Serviços Públicos do Estado de São Paulo* (Regulatory Agency for Public Services of the State of São Paulo)

BNDES: *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development)

DAEE: *Departamento de Águas e Energia Elétrica* (Water and Electrical Energy Department)

EMAE: *Empresa Metropolitana de Águas e Energia* (Metropolitan Water and Energy Company)

IMF: International Monetary Fund

ONDAS: *Observatório Nacional dos Direitos à Água e ao Saneamento* (National Observatory of the Rights to Water and Sanitation)

PND: *Programa Nacional de Desestatização* (National Destatization Program)

PPP: Public-Private Partnership

SABESP: *Companhia de Saneamento Básico do Estado de São Paulo* (São Paulo State Water and Wastewater Utility)

SDGs: Sustainable Development Goals

SNIS: *Sistema Nacional de Informações sobre Saneamento* (National Sanitation Information System)

SPMR: São Paulo Metropolitan Region

UN: United Nations

WASH: Water, Sanitation, and Hygiene

WSS: Water Supply and Sanitation

1. Introduction

Ensuring a sustainable and just balance between water supply and demand is essential for sustained human health and wellbeing, ecological integrity, and economic prosperity (Ait-Kadi, 2016; Cosgrove & Loucks, 2015; Ezbakhe et al., 2019; Rockström et al., 2014). This is one of the greatest challenges of the 21st century, especially given a changing and uncertain future climate, rapid urbanization, and increasing competing demands for water stemming from industrial, agricultural, energy, and domestic needs (Cosgrove & Loucks, 2015; Rockström et al., 2014; Swyngedouw et al., 2002). The seventeen Sustainable Development Goals (SDGs), adopted by all UN Member States in 2015, include SDG 6, which sets a target for achieving universal and equitable access to safe and affordable drinking Water, Sanitation, and Hygiene (WASH) by 2030 (UN, 2015).

Realizing universal access to WASH worldwide, and in Brazil in particular, requires paying extra attention to the most disadvantaged segments of the population (Ezbakhe et al., 2019; Narzetti & Marques, 2021). In Brazil substantial geographic and socio-economic disparities exist in the distribution of access to Water Supply and Sanitation (WSS) services (de Oliveira, 2018; Heller et al., 2014; Jacobi, 2004). The main challenge for urban water management in Brazil, therefore, lies in extending and improving WSS coverage to vulnerable populations in urban peripheries and informal settlements through complex urban water systems (Narzetti & Marques, 2021).

Related to urban water management, WSS privatization remains a contentious issue among academia, policy-makers, and civil society (Bakker, 2003; Bermann & Hermsdorff, 2024; Peres et al., 2004). In December 2023, led by the neoliberal-leaning governor of São Paulo, Tarcísio de Freitas, the state authorized the privatization of the *Companhia de Saneamento Básico do Estado de São Paulo* (São Paulo State Water and Wastewater Utility; SABESP) by selling the majority public share (Bermann & Hermsdorff, 2024), sparking public debate and outcry. This conversion of SABESP to a privately owned company requires new research on the potential socio-environmental consequences of this privatization (Bermann & Hermsdorff, 2024), potentially providing insight for ongoing public and academic debates surrounding the of WSS privatizations in Brazil and beyond.

1.1. Research Objective

Amid the major challenges to achieving universal access to WASH in complex densely populated urban areas, this thesis aims to contribute to sustainable and equitable solutions for WSS provisioning. To this end, it seeks to examine the complex debates surrounding the privatization of SABESP, situating them within the broader historical and socio-political landscape of WSS governance in Brazil and beyond.

The main research question that this thesis attempts to answer is: How do the debates surrounding SABESP's privatization reflect broader historical and socio-political dynamics in WSS governance in Brazil and beyond? This main research question is divided into two sub-questions: (1) How are historical experiences in WSS governance in Brazil reflected in contemporary debates on the privatization of SABESP? and (2) How does SABESP's privatization exemplify and broaden our understanding of the evolving nature of neoliberalization in Brazil and beyond?

By tracing the evolution of WSS policies from the military dictatorship through neoliberal reforms, this study uncovers how historical legacies continue to influence contemporary concerns about privatization. The analysis highlights recurring tensions around centralized control, prioritization of profits over public welfare, and socio-environmental inequalities. The thesis discusses the implications of SABESP's privatization on the evolving nature of neoliberalism in Brazil and beyond and opens a discussion on alternative approaches to WSS management that could reshape the future of water governance in Brazil and beyond.

1.2. Research Background

SABESP serves 375 municipalities in the state of São Paulo, supplying water to 30.5 million people and connecting 28.3 million people to sewage systems, making SABESP one of the largest water and wastewater management companies in the world (Bermann & Hermsdorff, 2024). Since 1994, when SABESP became partially privatized to allow for more private investments (Millington, 2018), the state of São Paulo maintained a majority share. Brazil's new national sanitation law (Law no. 14.026/2020), enabling and encouraging the privatization of WSS, runs counter to the recent global trend where governments are retaking ownership and control over WSS (Reis et al., 2023). The conversion of SABESP from a state-run utility to a mixed-capital company (Bermann & Hermsdorff, 2024), and recent plans for a complete conversion to private ownership, have sparked significant public debate and outcry. This raises

questions about the socio-environmental impacts of privatization, especially given historical challenges.

The main challenge of achieving universal access in urban contexts in Brazil is addressing significant geographic and socio-economic disparities by extending and improving WSS coverage for vulnerable populations in urban peripheries and informal settlements (de Oliveira, 2018; Heller et al., 2014; Jacobi, 2004; Narzetti & Marques, 2021). Even within major metropolitan areas like Rio de Janeiro and São Paulo, there are significant disparities in WSS access between wealthy and low-income neighborhoods (de Oliveira, 2018). According to the *Sistema Nacional de Informações sobre Saneamento* (National Sanitation Information System; SNIS, 2023), as of December 2023, 84,2% of the total population in Brazil has access to a water distribution network, while only 56,0% of the total population is served by a sewage network. However, Narzetti & Marques (2021) note that slums and other informal settlements are most likely excluded from official census data as they are regarded as “nobody’s land.” According to a 2019 estimate by the Brazilian Institute of Geography and Statistics (IBGE, 2020; as cited in Narzetti & Marques; 2021), the number of households located in informal settlements increased by 59% over the last ten years to more than 5 million households distributed along 13,000 informal settlements.

Driven by unaffordability and inaccessibility of legal housing, low-income populations often resort to illegally occupying lands, particularly in unsafe areas designated for watershed protection (Jacobi, 2004). These settlements often lack proper sewage systems and waste disposal services, leading to direct dumping of sewage and garbage into water bodies (Jacobi, 2004). The current lack of adequate sanitation service coverage, particularly in informal settlements, thereby deteriorates watersheds and harms public health by spreading water-borne diseases, which particularly affects children, the elderly, and the sick (Bermann & Hermsdorff, 2024; Jacobi, 2004). Untreated sewage contaminates rivers and springs, often draining near residential areas causing social damage (Bermann & Hermsdorff, 2024; Jacobi, 2004). This social damage is usually distributed unequally between social classes and regions, as low-income communities often depend directly on local water bodies for drinking, bathing, and washing, threatening public health (Bermann & Hermsdorff, 2024; Jacobi, 2004).

Servicing such peripheral and informal settlements is complicated by having to rely on a combination of formal and informal water infrastructure, involving public and private actors, and in some cases areas controlled by criminal organizations (Narzetti & Marques, 2021). Some

scholars (Moreira, 2015; Millington, 2018), furthermore, found inequalities embedded in the urban water infrastructure of São Paulo which increase the risk of water insecurity to vulnerable populations during droughts. Many of these areas require special attention due to their relatively high vulnerability to environmental hazards such as landslides or floods by being located on steep slopes or floodplains (Coates & Garmany, 2017; Jacobi, 2004; de Loyola Hummell et al., 2016; Narzetti & Marques, 2021).

Recent water supply crises in Brazil have exacerbated the challenges of achieving universal access to WASH in highly populated urban regions like São Paulo and Rio de Janeiro (Kelman, 2015, Taffarello et al. 2016; Mohor and Mendiondo, 2017; Gesualdo et al., 2021). Brazil's relatively high reliance on hydropower as part of its energy matrix meant that the 2000s *Crise Hídrica* (water crisis) also led to a major energy crisis (Cuartas et al., 2022; Gesualdo et al., 2021; Prado et al., 2016). In 2013 and 2014, the São Paulo Metropolitan Region (SPMR) suffered its worst drought affecting the water supply of around 9 million people (Empinotti, Budds, & Aversa, 2019; Gesualdo et al., Santos et al., 2021). By September 2014, the SPMR's major Cantareira water reservoir reached unprecedented low levels of 5% of its capacity (Empinotti et al., 2019).

Climatic changes, coupled with an expected growth in water demand for the SPMR and other regions reliant on the Cantareira watershed, will likely lead to future water crises and conflicts that disproportionately affect vulnerable communities (Freitas, 2021; Gesualdo et al., 2019; Jacobi, 2004; Millington, 2018). Brazil's southeastern region, home to the country's two largest urban centers, São Paulo and Rio de Janeiro, is already experiencing climatic changes that increase the risk of floods and droughts, which are likely to worsen in the future (Gesualdo et al., 2019). These climatic changes include rising average temperatures, decreasing annual precipitation with increased variability, and more sporadic and concentrated rainfall, leading to intensified extreme rainfall events and prolonged droughts (Chou et al., 2014; Viola et al., 2015; Zilli et al., 2017; as cited in Gesualdo et al., 2021).

Various land-use changes have exacerbated these problems by reducing soil water retention and increasing runoff, compromising water quality and reducing groundwater recharge. These land-use changes include the expansion of urban settlements and pastures, deforestation of deep-rooted native forests, and afforestation with water-intensive species like eucalyptus (Bermann & Hermsdorff, 2024; Jacobi, 2004; de Freitas, 2021; Santana et al., 2023).

What is more, Brazil's existing environmental policies may be inadequately equipped to deal with the impacts of climate change. Firstly, Brazil's National Water Security Plan failed to include climate change scenarios and associated adaptive strategies (Gesualdo et al., 2021), while Brazil's environmental policies and associated governmental bodies were dismantled to a significant degree during the Bolsonaro government (Gesualdo et al., 2021; Milhorange, 2022; Niederle et al., 2023). Additionally, relevant authorities in the SPMR received criticism for compromising water security by failing to take adequate measures that prevent, prepare for, respond to, and recover from the 2013-2014 water crisis, which disproportionately affected vulnerable populations (Gesualdo et al., 2021; Millington, 2018).

1.3. Research Outline

The theoretical framework, Chapter 2, of this thesis draws upon literature from political ecology and related studies to explain the intertwined nature of political, economic, social, and ecological factors underpinning urban water management in general and water privatization in particular. The theoretical framework furthermore focuses on the unique socio-environmental and political challenges of managing water, as opposed to other types of resources. It also explores arguments and contradictions in neoliberal logic underpinning WSS privatization.

Chapter 3 explains the qualitative research methods this thesis employs for data collection and analysis, as well as the limitations, possible biases, and ethical considerations of the research methods used. This thesis relies on literature review for analyzing past political decisions related to WSS privatization. This thesis also relies heavily on analyzing public debates through in-depth interviews and analyzing public hearings. By capturing the nuances of these debates, placed in a historical perspective, the study contributes to the political ecology literature by demonstrating how social, economic, and political dynamics intersect to affect access to WSS services in urban settings.

Chapter 4 provides a historical context by tracing the historical evolution of WSS policies in Brazil, from centralization under the military dictatorship to the recent wave of WSS privatization in Brazil. While outlining each relevant political shift, commentaries from relevant academic research are provided to highlight past and ongoing challenges and complexities in WSS governance in Brazil and the SPMR.

Chapter 5 focuses on contemporary debates surrounding the privatization of SABESP. It highlights a diversity of concerns at the core of public debates on the privatization of SABESP,

from socio-economic disparities, environmental pollution, to undemocratic processes and fears for future water crisis due to climate change. This chapter is based on insights shared during three public hearings and in-depth interviews with civil society actors and other experts.

Chapter 6, Discussion, first answers the first research question by showing how historical experiences in WSS services in Brazil reverberate into current concerns about the privatization of SABESP. It then relates these findings to broader patterns of privatization and policy processes under neoliberalism, showing the case of SABESP exemplifies and broadens our understanding of the evolving nature of neoliberalism. This chapter, then, discusses the policy implications of these findings for WSS governance in Brazil and beyond. Lastly, it lays out the limitations of this study and gives directions for future research.

Lastly, Chapter 7 gives some concluding considerations on the key findings of the research, drawing together the insights from the historical analysis, contemporary debates, and theoretical perspectives.

2. Theoretical Framework

Water is an essential resource for sustaining human lives, maintaining the integrity of ecosystems, and fueling development within a diversity of economic sectors, including energy, agriculture, and manufacturing. Water's strategic, economic, political, cultural, and territorial importance can lead to a variety of conflicts of interest over water supply management and allocation, with different stakeholders vying over the diverse end-uses of this vital resource (Bakker, 2003; Boelens et al., 2016; Swyngedouw, 2004). Similarly, disputes may surface regarding the degree of private sector involvement in water supply management due to concerns over the market's ability to ensure fair distribution and sustainable management of water resources (Bakker, 2003).

Political Ecology offers a holistic perspective for understanding the intricate interplay between society, nature, and political economy within the context of complex environmental issues, relevant for the context of WSS privatization and commercialization (Bakker, 2003). political ecology politicizes environmental problems by revealing how environmental policy is shaped by social, economic, and political factors (Forsyth, 2003). Robbins (2011), moreover, argues that uncovering underlying power dynamics is essential for understanding how knowledge is often constructed with specific agendas to restrict the range of potential policy responses.

2.1. Producing Water Scarcity

Political Ecological perspectives tend to argue that environmental crises, including those related to water scarcity, are not merely natural phenomena but are deeply intertwined with social, economic, and political processes. For instance, scholars point to various instances where political decisions have at least exacerbated existing water scarcity crises through mismanagement or prioritizing certain end-uses over others (Empinotti et al., 2019; Millington, 2018; Narzetti & Marques, 2021; Santos et al., 2021; Swyngedouw, 2004). In other instances, urban water management measures prioritize urban centers at the expense of peripheral or rural areas, leading to uneven distribution and access of WSS services (Gandy, 2004; Milington, 2018). By prioritizing the profitability of certain industrial or agricultural activities which consume large amounts of water and/or pollute water sources, capitalist market forces can compromise water security and environmental sustainability (Hepworth, Postigo, & Delgado, 2010).

Additionally, socio-economic factors can drive people to live in informal settlements, often in unsafe watershed areas lacking proper sewage systems and waste disposal services (Jacobi, 2004). This lack of sanitation and waste disposal services can exacerbate water scarcities through the direct dumping of sewage and garbage into water bodies. This phenomenon was also prevalent in the SPMR. From the 1970s onwards, economic growth, industrialization, housing speculation, and gentrification of São Paulo city drove the appearance of peripheral settlements to accommodate migrant workers from Brazil's northeast attracted by the city's economic growth (Oliveira, 2008; as cited in Santos, 2021). Low-income classes often had to move to cheaper areas, mainly in São Paulo's peripheries, often in protected watershed areas with significant risks for landslides and lacking WSS services (Jacobi, 2006; Maricato, 2006, 2015; as cited in Santos et al., 2021).

These communities are also often most affected by water scarcity and pollution due to limited resources and capacity to adapt to these changes and their reliance on nearby unprocessed water sources, compromising public health by increasing the risk for spreading water-borne diseases (Adger, 2006; Bermann & Hermsdorff, 2024; Jacobi, 2004). By viewing environmental crises as at least socially produced phenomena, the Political Ecological perspective calls for a policy shift from technocratic solutions to more inclusive and participatory approaches. This requires addressing underlying social dimensions of environmental impacts, including the unequal distribution of resources and power, to effectively mitigate and adapt to environmental crises (Heynen, Kaika, & Swyngedouw, 2006).

2.2. Spectrum of Privatization

In the context of WSS privatization, it is important to distinguish that there exist different forms of water privatization along a continuum of varying degrees of private sector involvement. The degree to which a water system is publicly or privately managed is context-dependent as water rights and regulations tend to vary across different locations (Bakker, 2003). Full privatization, or divestiture, implies a complete conversion of WSS control from the government to the private sector, typically involving the sale of public assets (Bakker, 2003; Sarabi, 2017).

Another prevalent form of water privatization, especially in urban areas of developing countries, is a public-private partnership (PPP). PPPs are contractual arrangements where private companies manage state-owned water infrastructure through long-term contracts (generally 20 years or more), commonly called "concessions" (Bakker, 2003). These concessions are usually granted to companies through competitive bidding (Sarabi, 2017). These contractual

agreements involve companies providing financing for operational costs and maintenance, for which in turn companies are allowed to collect fees from customers for profit (Sarabi, 2017).

The table below provides a broad overview of different forms of water privatization, ranging from models with minimal private sector involvement to total divestiture. Between these broad distinctions there exists many more specific forms of privatization, such as lease contracts, partial divestiture, and joint ownership (Sarabi, 2017).

Form of Water Privatization	Description	Degree of Private Sector Involvement
Public Management	Water services are owned, managed, and operated solely by the government or public authorities.	Low
Public-Private Partnership (PPP)	Collaboration between public and private sectors to provide water services. The government typically retains ownership and oversight while partnering with private entities for financing, construction, or operation. These long term contractual arrangements are commonly called concessions, which are typically awarded through competitive bidding at public auctions.	Moderate to High
Asset Sale or Complete Divestiture	The government sells off the entire water infrastructure or utility to private investors or companies, transferring ownership and operational control to the private sector.	High

Table 1: General overview of types of water privatization, ranging from a low to high degree of private sector involvement.

2.3. Market Failures and State Inefficiencies

In general, the public-private debate centers on either the failures of the market or state inefficiencies in water supply management. Opponents of full privatization of water supply management argue that state intervention is justified to protect against the risks of market failures, as water is a public good vital for human health and well-being and economic prosperity (Bakker, 2003; UN, 2023). The risks of market failures that can result from water supply privatization include easily displaceable negative territorial effects (e.g. pollution, flooding, drought, etc.), inequalities in access to WSS services, and price hikes resulting from monopolization (Bakker, 2003; Hall & Lobina, 2006).

The risk of monopolization is quite high for water supply services, being a classic and straightforward example of a natural monopoly (Hanke and Walters, 1987). Economists use the term “natural monopoly” to describe an industry with high entry barriers, such as substantial infrastructure costs, where the largest established firm enjoys a significant advantage over potential competitors due to continuously decreasing average costs as the firm’s scale increases (Erdogdu, 2010; Hanke and Walters, 1987). Water supply services fit this category, having high fixed costs in the form of infrastructure and significant economies of scale (i.e., a proportionate saving in costs gained by an increased level of production) due to efficiency gains of a single provider. This discourages competition and redundancy in infrastructure between multiple providers (Clark and Mondello, 2002; Hanke and Walters, 1987).

While the reasons for water scarcity are diverse, proponents of water privatization typically blame state inefficiencies and advocate for private sector involvement to boost investment and foster innovations that improve water-use efficiency (Bakker, 2003; Draper, 2008). They believe that introducing market mechanisms, such as competitive markets or tradable water rights, can enhance economic and resource efficiency in water management (Bakker, 2003; Draper, 2008). This approach often entails the commercialization of water, treating it as a commodity sold for profit based on consumers’ willingness to pay rather than their ability to pay, potentially undermining the view of water as a basic human right (Bakker, 2003).

Commodification of the Commons

When water resources are privatized, they can become inaccessible to marginalized communities that rely on them for their livelihoods. This process can lead to the commodification of water, turning a basic human right into a market commodity accessible primarily to those who can afford it (Bakker, 2007). Research indicates that water privatization often disproportionately affects low-income households due to higher tariffs, reduced access to water, and less reliable water infrastructure (Hall & Lobina, 2006; Reis et al., 2023). Meanwhile, richer neighborhoods tend to rely on more affordable permanent public water systems (Narzetti & Marques, 2021). This creates an economic barrier excluding poorer households while providing affluent regions with access to more reliable and affordable water systems, exacerbating social inequalities.

According to UN experts (UN, 2023a), water must be regarded as a human right and treated as a common resource as “[c]onsidering water as a commodity or a business opportunity will leave behind those that cannot access or afford the market prices.” A common resource refers to a resource that is non-excludable (i.e., it is difficult or impossible to prevent anyone from using

them) and rivalrous (i.e., one person's use of the resource reduces the amount available to others) (Arvanitidis, Nasioka, & Dimogianni, 2015; Ostrom, 2008).

Lacking, unclearly defined, or poorly enforced property rights can contribute to resource overexploitation and environmental problems such as overfishing, pollution, and water depletion, commonly referred to as the "tragedy of the commons" (Libecap, 2009; Ostrom, 2008). Without additional rules or agreements, individual private actors do not have to internalize social costs when using common resources, and can instead externalize the costs of environmental degradation or resource depletion to others, leading to market failure due to the overuse of the common resource (Libecap, 2009). For instance, without appropriately defined water rights, excessive extraction or diversion can occur, leading to shortages and conflicts (Libecap, 2009). Clearly defined and properly enforced property rights have thus been proposed to encourage responsible stewardship by providing an incentive for private actors to manage resources more efficiently and sustainably by internalizing the costs and benefits associated with their decisions (Libecap, 2009; Ostrom, 2008).

However, water's biophysical nature as a "flow resource" means it is less easily bounded by human-conceived boundaries, making it more difficult to create clear property rights for water resources relative to other types of resources like land (Arvanitidis et al., 2015; Bakker, 2003). This, in turn, reduces incentives for responsible stewardship and obscures who is accountable for mismanaging water resources (Arvanitidis et al., 2015; Bakker, 2003; Libecap, 2009; Ostrom, 2008). Moreover, water resources can be monopolized for profit by controlling the flow of water, thereby determining who gets access to this essential non-substitutable resource and for what price (Bakker, 2003). The unique flowing properties of water can further be exploited for profit by displacing negative externalities downstream, such as water pollution, flooding damage, or water scarcity (Bakker, 2003).

2.5. Neoliberal Contradictions: From Free Markets to Authoritarian Control and Corporatocracy

According to Harvey (2005), neoliberalism is "a theory of political economic practices that proposes 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, free markets, and free trade." Neoliberalism can be understood as a political-economic paradigm, an ideological rationality, and a mode of governance that typically promotes

free-market capitalism, reduction in government spending, and minimal state intervention, based on the belief that free-market economics will ensure greater efficiency (Peck & Tickell, 2017). While initially advocating for minimal state intervention, neoliberalism has evolved and adapted to different contexts, often involving significant state control or even authoritarian measures to enforce neoliberal projects such as privatization and the reduction of public services (Aguirre, Eick, & Reese, 2006; Hathaway, 2020; Peck & Theodore, 2019).

Neoliberalism emerged in the mid-to-late 20th century and gained prominence in the 1980s, popularized by political leaders such as Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom (Harvey, 2005; Peck & Tickell, 2017). It became institutionalized in the Washington Consensus, referring to a set of neoliberal policy prescriptions promoted internationally, particularly in the developing countries, by the International Monetary Fund (IMF), the World Bank, and the U.S. Treasury. These reforms included trade liberalization to attract foreign investment, reductions in government spending, and the privatization of state-owned enterprises (Harvey, 2005; Peck & Tickell, 2017). These measures were often part of structural adjustment programs, which required countries facing economic crises to reduce government spending and promote free trade in order to qualify for loans.

In the context of WSS, a neoliberal approach promotes the idea that private sector participation in WSS can improve infrastructure, increase investments, and enhance the efficiency and quality of water services (Bakker, 2013; Harvey, 2005). The Washington Consensus policies, particularly under structural adjustment programs, encouraged countries, mainly in the Global South, to privatize their water services to attract foreign investment, based on the belief that private companies would operate more efficiently than the state (Bakker, 2013), and to ensure full cost recovery of WSS services (Bond, 2010). Full cost recovery implies tariffs are designed to provide private service providers with sufficient revenue to maintain and expand their systems independently, without relying on government subsidies or external aid (Bond, 2010).

In developing countries, privatization and full cost recovery of WSS services often led to public resistance, service cutoffs for non-payment, and social unrest, as observed in Argentina, Bolivia, and South Africa (Bond, 2010). In these countries, private companies entered the water sector with high profit expectations and ambitious promises, which ultimately did not align with the realities of developing countries, resulting in inadequate infrastructural maintenance and expansion of coverage and unrealized health benefits (Bond, 2010).

In urban contexts, the neoliberal agenda promoted entrepreneurial governance styles, focused on attracting investment and fostering economic development first, often at the cost of social welfare, public services, and participatory management approaches (Bakker, 2013; Peck & Tickell, 2017). Neoliberal ideology, with its emphasis on market-based solutions and economic efficiency, can restrict the range of potential policy responses, excluding alternative approaches such as community-based approaches (Bakker, 2013).

As a global phenomenon, neoliberalism evolved with state-society relationships and affected various regions differently, leading to different local adaptations (de Freitas, Marston, & Bakker, 2015; Peck & Tickell, 2017; Peck & Tickell, 2019). In Latin America, for instance, neoliberalism was adapted to various contexts and shaped by conflicting state-society relationships, leading to the simultaneous existence of neoliberal, post-neoliberal, authoritarian, community-based, and other governance models.

Roll-out Neoliberalism

During times of crises, the neoliberal project increasingly had to concede to the fact that state intervention is necessary to avoid serious market failures that threaten the legitimacy of the neoliberal project (Peck & Tickell, 2017). These risks inherent in neoliberalism forced neoliberalism to adapt from deregulation to proactive state involvement to address threats to its legitimacy. These threats include market failures, growing public dissatisfaction, economic crises, environmental pollution, and economic inequality. Hathaway (2020) states that even neoliberal states intervene significantly to stabilize economies, often in ways that protect corporate interests.

Peck & Tickell (2017) used the term “roll-out neoliberalism” to describe the act of active state involvement in building new institutions and policies to manage and address the limitations and failures of earlier neoliberal policies. This contrasts with roll-back neoliberalism, particularly prevalent during the 1980s, which emphasized deregulation, policy dismantlement, and reducing government intervention (Peck & Tickell, 2017). In the case of WSS privatization in England and Wales, significant additional state measures had to be implemented to facilitate the market-driven solutions, including marketable permits for water rights and price-cap regulations (Bakker, 2003).

In Brazil, it turned out that proactive state involvement for environmental protection became untenable for some authoritarian neoliberal governments. As state involvement led to declining

returns from neoextractivism, the inherent contradictions within this form of neoliberalism became increasingly evident (Coates & Sandroni, 2023). Consequently, neoliberal state officials, including Bolsonaro and his followers, began to abandon and dismantle policies that were meant to address the failures of deregulation (Coates & Sandroni, 2023; Niederle et al., 2023).

Populism and Authoritarianism

Peck and Theodore (2019) explain how neoliberalism adapted to the rise of authoritarian politics, growing economic inequality, and public dissatisfaction following the 2008 financial crisis. Authoritarian governments responded to growing public discontent by employing coercive and exclusionary strategies to manage dissent, protect market interests, and maintain control, while foregoing political compromise, concession, and consensus (Peck and Theodore, 2019; Deutsch, 2021). These strategies include increased state control, policing, and reduced democratic and participatory processes in policy formation. Peck and Theodore (2019) argue that this reliance of the neoliberal project on authoritarianism is not new and has existed since the early neoliberal regime of Augusto Pinochet in Chile and the economic policies of Margaret Thatcher in the United Kingdom (UK).

Authoritarian populism is a term used by scholars to describe a political strategy of strong centralized control which gains popular support through populist rhetoric (S. Hall 1979; Scoones et al. 2018; McCarthy 2019; as cited in Coates & Sandroni, 2023). This populist rhetoric typically appeals to the will of "the people" with promises to restore power to ordinary citizens by bypassing traditional democratic institutions and processes. The result is that democratic norms and civil liberties erode as ruling authoritarian leaders or parties consolidate power and suppress dissent by delegitimizing public participation and demobilizing popular movements and public sectors. The rise of authoritarian populism is intertwined with post-truth politics and resource and environmental governance, which undermine democratic institutions and disregards objective truths about ecological and social impacts to support capitalist accumulation (Coates & Sandroni, 2023).

Coates and Sandroni (2023) analyze the rise of post-truth politics in Brazil, particularly during Bolsonaro's administration, where strategic use of misinformation and denial of scientific facts served to promote political agendas that support unmitigated extractive capitalist growth. Specifically, the Bolsonaro government dismantled previous environmental policies by downplaying environmental concerns, denying science, and spreading doubt and uncertainty (Coates & Sandroni, 2023; Deutsch, 2021, Milhorange, 2022; Niederle et al., 2023). Moreover,

the Bolsonaro government delegitimized public participation in policy-making by dismissing such democratic processes as "inefficient" (Deutsch, 2021; Niederle et al., 2022). This led to the dissolution of civic spaces in policy making for public participation in environmental governance (Deutsch, 2021).

Corporatocracy

Hathaway (2020) argues that, despite the rhetoric of reducing state intervention, neoliberalism has led to significant state support for businesses, including re-regulation favoring corporate interests and substantial corporate welfare during crises. These policies have weakened labor protections, promoted precarious employment, and facilitated the rise of monopolies and oligopolies (Hathaway, 2020).

In Brazil, the neoliberal project under the Bolsonaro government was guided by a so-called clientelist-corporatocratic paradigm, which determined what was imaginable, acceptable, and possible in terms of public policies (Deutsch, 2021; Niederle et al., 2023). Clientelism implies politicians exchange resources for electoral support from voters, creating dependencies and undermining democratic processes by prioritizing personal or group loyalty over broader public interests.

Crouch (2013), argues neoliberalism has evolved into a corporatocracy, controlled by corporations and special interests which shun free markets, democracy, and social participation. Neoliberalism's logic that free markets and competition yield better outcomes has been subverted by redefining competition to permit monopolies under the guise of efficiency maximizing consumer welfare (Hathaway, 2020). This shift has undermined traditional antitrust laws designed to prevent excessive market share and high profits, leading to the global rise of monopolies and oligopolies (Hathaway, 2020). The effects of corporatocracy can furthermore be seen in public policy agendas prioritizing corporate profits over public needs and the capture of regulatory agencies (Hathaway, 2020; Crouch, 2013).

'Regulatory capture' occurs when regulatory agencies prioritize special interests over protecting public interests and the environment. Crouch (2013) noted one significant reason why regulatory agencies can be vulnerable to regulatory capture: The firms they are supposed to regulate tend to hold the most expertise in the field, making the government dependent on these firms for advice in creating and enforcing regulations, which tends to weaken them. This is also known as informational lobbying, other reasons for regulatory capture include coercive

pressure, influence over committees, and revolving doors (Dal Bó, 2006). Lastly, McCarthy (2019) argues that many contemporary authoritarian regimes remove restrictions on capitalist productions by “appointing heads of polluting corporations to head the very agencies that are supposed to regulate those corporations” (as cited in Deutsch, 2021).

2.6. State Intervention and Public Participation in WSS

As preventing market failures and water scarcity is proven to be difficult under purely private property regimes, many academics advocate for at least some degree of state intervention and public participation in water supply management (Bakker, 2003; Bermann & Hermsdorff, 2024; Dosi & Easter, 2002; Empinotti et al., 2019). Critics blame WSS privatization for price hikes, reduced access for the poor, and insufficient regulations to prevent pollution and protect public interests (Bakker, 2013; Hall & Lobina, 2005).

In the case of Brazil, Bermann and Hermsdorff (2024) found that private companies were relatively less effective at expanding WSS coverage to vulnerable populations and that state supervision is necessary to ensure meeting universalization goals. Dias et al. (2018) note that, in Brazil past privatizations often involved complex legal frameworks with many clauses to retain state control in strategic sectors, such as the water sector. Neoliberal policies, such as privatization of state services, thus often imply more state involvement in the form of environmental regulation, monitoring, and enforcement to prevent significant market failures and protect the legitimacy of the neoliberal project (Bakker, 2003; Peck & Tickell, 2017).

Yet, it is important to recognize that neoliberal logic and centralized control can continue to guide policy decisions, even when the state takes back control over WSS management, which was the case in Uruguay (Santos, 2021). This can be explained by “institutional inertia”, or “neoliberal resilience” (Gautreau and Perrier, 2019; as cited in Santos, 2021), which renders it difficult to move away from old practices rooted in neoliberal logic, even when transitioning to a more progressive or public-oriented management model (Santos, 2021).

3. Methods

The following sections explain the case selection and the methods used in this research for gathering and analyzing qualitative data (i.e., spoken and written text) on the political ecology of WSS privatization in the SPMR. Political ecology frequently utilizes case studies to analyze human-environment interactions (Schubert, 2005), which is discussed in the first section. The second section explores the different methods used for data collection. Research in political ecology requires multiple methods of data collection to fully understand complex interconnected issues involving social, economic, ecological, and political dynamics (Schubert, 2005). By focusing on public debates and stakeholder insights, this research aims to uncover the diverse perspectives and power relations that impact political discussions and decisions. This study thereby aims to contribute to broader theoretical discussions on neoliberalism, state intervention, and community participation in WSS governance.

3.1. Case Selection

The rationale for selecting the SPMR as the specific case context for studying WSS privatization is driven by several reasons. Firstly, the timing is relevant, ongoing plans for the privatization of SABESP is currently a contentious issue in Brazil, generating significant public discussions. Additionally, my personal and academic journey has deeply influenced this choice. My interest in the topic of WSS in Brazil was sparked during my first visit to the country in 2022 for my MSc thesis on agroecology. During this time, I interviewed a local expert who was involved in establishing one of the first wastewater treatment facilities in his town which incorporated agroecological methods for water filtration. Raised in a developed country, the Netherlands, I was shocked to realize that basic sanitation services are not a given in the daily reality of many. This intrigued me to learn more about ongoing challenges in expanding WSS coverage in Brazil.

During my second visit to Brazil in 2023, as part of my internship at the Consulate General of the Netherlands in Rio de Janeiro, I became aware of the public auctioning of CEDAE (State Water and Sewage Company of Rio de Janeiro). Although my primary research focus at the time was on energy transition, the debates surrounding CEDAE's privatization captured my attention, making me interested in examining the more recent privatization in the SPMR. This focus will hopefully provide valuable insights into the broader implications of WSS privatization in densely populated urban areas, contributing to a more comprehensive understanding of WSS governance in Brazil and beyond.

3.2. Data Collection

To strengthen the internal validity, this study employs data and instrument triangulation to cross-validate research results by comparing and contrasting insights from diverse actors obtained from different data sources. Using multiple data sources (data triangulation) and different data collection methods (instrument triangulation) helps to cross-validate findings, reduce bias, and provide a more comprehensive understanding of the research problem (Denzin, 1978; Patton, 1999). For data triangulation, this study included insights from a wide variety of actors with varying opinions and experience, including civil society, state, and market actors. For instrument triangulation, this study employs three different types of data gathering techniques: public hearings, interviews, and literature review.

Public Hearings:

Analyzing public hearings provided a broad overview of the most common concerns and themes in public debates surrounding the privatization of SABESP. This analysis helped identify prevalent issues, stakeholder positions, and the general sentiment of the public, thereby complementing the in-depth data obtained from individual interviews. While the public hearing format allowed for the speakers to add depth to their arguments than what is typical in for instance social media posts, the depth of these discussions was still less comprehensive than that of in-depth interviews. This multi-faceted approach thus allowed for a richer and more balanced understanding of the diverse perspectives on WSS privatization.

The recordings from public hearings related to water privatization were accessed on Youtube, where they were uploaded by the official Youtube Channel of the City Council of São Paulo. The three latest publicly available public hearings were fully transcribed and analyzed using ATLAS.TI. A summary of the arguments given against or in favor privatization of SABESP during the three analyzed public hearings can be found in Appendix II. These transcripts provided valuable insights into the viewpoints, concerns, and arguments raised by stakeholders during these public fora. The links to the recordings of the public hearing are listed below:

- <https://www.youtube.com/watch?v=VxFbVDHk3Tk> (April 22, 2024)
- <https://www.youtube.com/watch?v=28ZXk8bnTMA> (April 24, 2024)
- <https://www.youtube.com/watch?v=chcNsjYZ044> (May 5, 2024)

In-Depth Interviews

This study employs one-on-one interviews with respondents who have experience with and/or are impacted by water privatization in the SPMR. Conducting individual interviews can provide more in-depth data, as it facilitates follow-up questions and enables participants to elaborate on their experiences and perspectives in a way that is not possible in public hearings, where each speaker's time is limited. This approach thus ensures a more in-depth understanding of the impacts of WSS privatization.

Semi-structured interviews were held because they allow the researcher the flexibility to explore multi-faceted topics in depth by probing with follow-up questions, while still maintaining a focus on specific themes (Kvale, 2009). In this way, the researcher can capture the richness of respondents' experiences and opinions, which might be missed with structured interviews, while still being more focused than unstructured interviews (Edwards & Holland, 2013). The questionnaire used for the semi-structured is provided in Appendix I.

In designing the interview guide and during the interviews, the researcher remained reflexive about his background, potential biases, and role as researcher to minimize their impact on the research findings. The interview guide features only open-ended questions and avoids leading questions to openly inquire about actors' experiences and perceptions on the issue of SABESP's privatization. This neutral, open, and reflexive approach to interviews is important to avoid potential biases (King, Brooks, & Horrocks, 2018). The following actors participated in interviewees for this study:

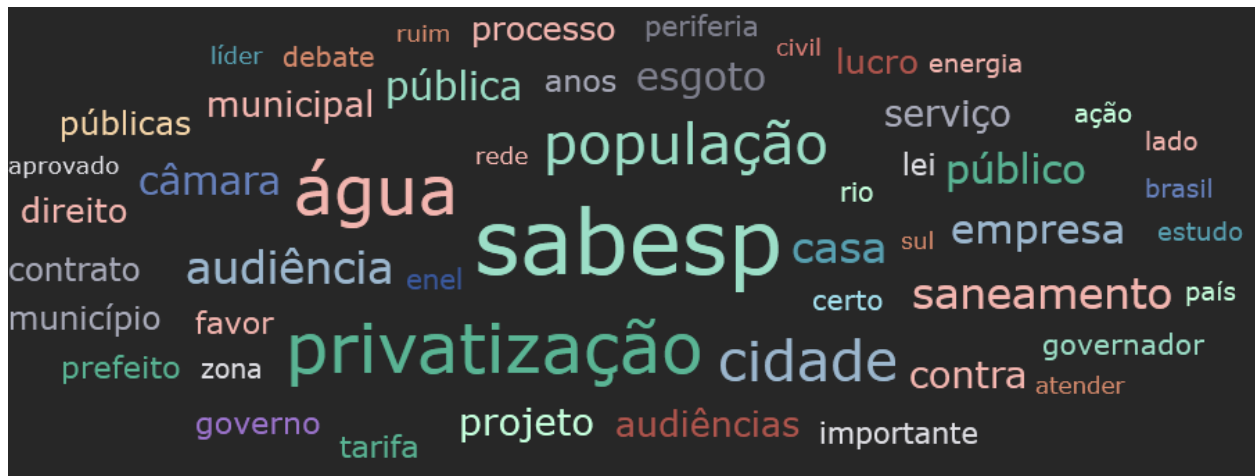
- *Observatório Nacional dos Direitos à Água e ao Saneamento* (National Observatory of the Rights to Water and Sanitation; ONDAS, July 12, 2024)
- A Policy Advisor in the field of WSS based in São Paulo (Policy Advisor, June 15, 2024)
- Researcher in field of WSS governance in the SPMR (Researcher 1, July 22, 2024)
- Researcher in the field of WSS privatization in Brazil (Researcher 2, August 8, 2024)

Literature Review

Literature review serves multiple purposes. Firstly, academic literature is consulted to inform the background of water privatization in Brazil and obtain insights into the recent history of water governance in Brazil. Political ecology often involves historical and contextual analysis to understand the evolution of human-environment interactions (Schubert, 2005). This is done through an extensive literature review on the trajectory of WSS governance in Brazil. Secondly,

to ascertain official stances on water privatization in Brazil, non-academic gray literature is consulted, including policy plans, official press releases, and other official documents that relate to water privatization.

3.3. Data Analysis



Texts from interview transcripts and gray literature were coded using the software ATLAS.TI. Coding involves creating conceptual categories for describing and explaining the data to generalize and theorize how concepts work “in a wider context” by linking data to impersonal and overarching codes (Wagenaar, 2014). Coding ensures that emerging theories remain

grounded in data and are not speculative (Wagenaar, 2014). In this thesis, a combination of ground-up (inductive) and top-down (deductive) coding approaches were used.

Top-down (Theory-driven) Coding

The top-down approach involves using insights from existing research to develop conceptual categories for the analytical framework (Clarke & Braun, 2013). The preceding Chapter, Theoretical Framework, was used to give an initial impression of patterns that could occur in public hearings, interviews, and gray literature. This is also known as theory-driven coding (Clarke & Braun, 2013). Yet, according to Wagenaar (2014), these initial conceptual insights are inadequate descriptions, as the insights emerging from new data adds more detail and nuance.

Ground-up (Grounded) Coding

To incorporate new insights from the data into the analysis, this thesis complemented the theory-driven codes with grounded codes that were found in interviews and public hearings using a bottom-up coding approach. This bottom-up coding approach, also known as grounded coding, allows for new codes to emerge directly from the data itself (Clarke & Braun, 2013). Grounded coding can add extra detail and nuance to existing work, challenge preconceived notions, and open up new entire fields of inquiry by suggesting previously unconsidered conceptual insights (Wagenaar, 2014).

List of Codes

The table below gives an overview of the codes used, highlighting whether they were formed through top-down or ground-up coding. These topics and concepts are explained in more detail in Chapter 5, focussing on how these topics are reflected in current public debates on the privatization of SABESP.

Code	Coding Approach
Anti-Privatization	Top-down
Economic Efficiency	Top-down
Economic Impact, Tariffs, and Affordability	Top-down
Geographic Disparities in Lack of Access and Service Coverage	Top-down
Health and Environmental Impacts of Pollution	Top-down

Historical and Contextual References	Ground-up
Ideological Division, Political Motives, and Corruption	Ground-up
Illegal Occupation and Expanding Informal Settlements	Top-down
Impact on Vulnerable Groups	Top-down
Infrastructural and Technological Issues	Ground-up
Monopolistic Inefficiencies and Market Failures	Top-down
Need for Transdisciplinary Expertise	Ground-up
Private Investments	Top-down
Pro-Privatization	Top-down
Public Funding	Ground-up
Quality and Reliability of Service	Top-down
SABESP's Current State of Profitability, Effectiveness, and Efficiency	Ground-up
State Inefficiencies	Top-down
State Intervention	Top-down
Transparency and Accountability	Ground-up
Undemocratic Process and Ignoring Public Opinion	Ground-up
Water Crises and Climate Change	Top-down
Water is a Human Right	Top-down

Table 2: List of codes ordered alphabetically and their corresponding coding approaches, either top-down (deductive) or ground-up (inductive) coding.

Iterative Coding Process

An iterative coding process enables the continuous re-evaluation of analyzed data as new codes emerge, ensuring that the analysis remains flexible and responsive to new insights. This dynamic approach allows for revisiting the data in light of newly discovered themes, thereby strengthening the connection between codes and quotations and ensuring that codes are deeply grounded in the data.

Code-document analysis

A code-document table was made using ATLAS.TI to compare the extent to which different concerns were mentioned by the speakers during the three public hearings. A code-document table counts the number of times a particular code (i.e., consideration, concern, notion, idea, etc.) is mentioned in a document. The results of this code-document analysis are visualized in a bar chart (see figure 3) in Chapter 5.

Artificial Intelligence for Text Analysis

ATLAS.TI offers built-in software powered by OpenAI for data analysis, allowing for automatic intentional coding, sentiment analysis, and summaries of vast data sets.

Sentiment Analysis

The three most recent public hearings were first analyzed using sentiment analysis to capture the stances and main arguments presented during the hearings. Appendix II provides a comprehensive summary of the arguments made during these hearings, detailing each speaker's organizational affiliation, their position on the privatization of SABESP, and main arguments given to support their viewpoints. The distribution of speakers' stances on the privatization of SABESP is visualized in the pie chart below (see figure 2).

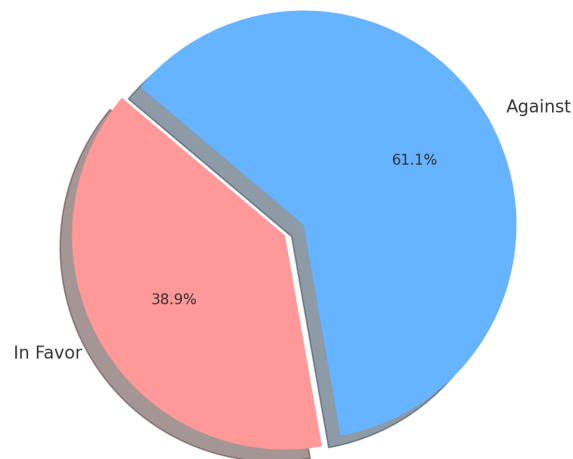


Figure 2: Pie chart illustrating the distribution of speakers' stances on the privatization of SABESP during the three analyzed public hearings, showing 14 speakers (38.9%) in favor and 22 (61.1%) against.

The pie chart reveals that the majority (61.1%) of speakers opposes SABESP's privatization, indicating that the data from the public hearings is likely skewed towards being critical towards privatization plans. A recent survey conducted by the Quaest Institute, released on April 15th,

indicates that 52% of voters in São Paulo oppose the privatization of SABESP, while 36% are in favor (4% are “neither for nor against” and 8% did not want to answer).

These figures suggest some alignment between the sentiments expressed during the public hearings and the views of the general population of the state of São Paulo. However, this alignment does not eliminate potential biases inherent in the public hearing data, which are discussed in the following section.

3.4. Limitations and Ethical Considerations

Although the internal validity of this study is strengthened through triangulation of instruments and data sources, it is important to acknowledge potential biases, limitations, and ethical considerations that may still arise.

Sampling Bias and Internal Validity

This study strived to maximize the sample size of interviewees within the available time and to reach a point of data saturation in which no new information flows from incorporating additional sampling data. This point of data saturation strengthens the internal validity of the study, allowing relevant conclusions to be drawn from the research results. However, due to time limitations, a relatively low number of interviews were conducted, creating a weaker foundation to find diverging perspectives among interviewees. In addition, there is a bias that can result from relying on snowball sampling, as respondents tend to belong to a network which potentially shares similar stances on water privatization.

We can compensate for this sample bias among interviewees to some degree by relying on additional data sources, such as public hearings and official documents and statements. The relatively low number of interviewees is (partially) compensated by incorporating a large amount and diversity of data from public hearings transcripts. However, there still exists potential biases that result from relying on virtual public hearings.

Firstly, public hearings often attract more vocal opponents, leading to an overrepresentation of critical views. Secondly, the centralized and virtual nature of public hearings can exclude the voices of vulnerable populations, particularly residents of informal communities who lack internet access and do not have the opportunity to attend in person.

Thus, although the data from the public hearings provides valuable insights, it may not fully capture the diversity of opinions present in the wider population. Due to safety concerns and limited availability of time and resources, it was not possible for the researcher to establish in-person interviews with informal community residents, making it impossible for this study to overcome or circumvent this bias against voices without internet access and/or opportunity to attend public hearings in person.

Lastly, additional data collection methods could have been employed to draw more comprehensive conclusions, but were excluded due to time constraints. Incorporating an analysis of narratives from both traditional and new media platforms would have further enriched this study by potentially showing how (social) media narratives support or oppose policy decisions.

External Validity and Generalizability

External validity refers to the degree to which the findings from this study can be generalized to other contexts, pointing to the wider implications of this study outside of the SPMR. Firstly, the aforementioned sampling biases may limit the diversity of perspectives captured, affecting the generalizability of the results to the broader populations.

Secondly, as there are likely various political, economic, and social aspects specific to the SPMR and Brazil which might differ from other contexts, both within Brazil and internationally, some findings of this study may not directly apply to other contexts. However, other urban contexts, particularly in the Global South, have been found to face similar socio-environmental disparities (Ezbakhe et al., 2019; Bhattacharya & Banerjee, 2015; Scott, 2015).

Positionality

Positionality refers to the stance or positioning of the researcher in relation to the social and political context of the study, which can have implications for the outcomes of the study. The positionality of the researcher could imply an insider perspective of the subject (emic description) or an outside perspective from the observer (etic description). An outside perspective implies that the researcher does not have any prior intimate knowledge of the group being researched (Holmes, 2020). Being an outsider has the potential disadvantage of reducing the trust of potential respondents towards the researcher, reducing the likelihood of honest answers (Holmes, 2020). Lastly, being an outsider could imply having a reduced understanding of the language and less understanding of the culture of the respondents (Holmes, 2020).

The researcher of this study has an outside perspective, coming from a Dutch University, but has taken significant steps to reduce potential limitations. In addition to completing a course on intercultural communication, the researcher of this study has already acquired at least a B2 level (CEFR scale) in Portuguese prior to commencing the study to partially counteract the disadvantage of having an outside perspective on the field of study.

Ethical Data Gathering

To enhance transparency and trust between potential respondents and the researcher, a consent form is provided to potential respondents before the interview which clearly and openly explains the research objectives of this study (see Appendix III). The consent form ensures ethical data gathering by promising respondents that they always retain the right to retract or withhold information or to remain anonymous. The interviewees preferred to verbally consent to recording and use of the provided data during the beginning of the interview. This verbal consent was recorded.

4. Historical Context of WSS Policy and Privatization

This chapter provides a historical context through a chronological overview of the political decisions in Brazil regarding WSS and their impacts on WSS provisioning based on an extensive review of relevant academic literature. This chapter thereby offers insights into past and ongoing socioeconomic and environmental challenges faced in the WSS landscape of Brazil. Understanding the historical context of WSS governance and past policy trajectories in Brazil will help frame current debates on WSS privatization in the (Chapter 5) to answer the first research question. This will help inform future policy-making (Chapter 6.3) aimed at improving WSS distribution and management in the SPMR.

4.1. Centralization under the Military Dictatorship (1971-1990)

The history of SABESP traces back to the implementation of the Water Supply and Sanitation Plan (PLANASA) in 1971 during the country's military regime. PLANASA aimed to centralize sanitation policies at the state level through the creation of state sanitation companies, including SABESP in 1973 for the state of São Paulo. PLANASA aimed to address the country's WSS challenges, particularly expanding WSS services to rural and underserved areas, by creating state companies funded by significant federal investments, while centralizing planning and funding under a single entity, PLANASA (Bermann & Hermsdorff, 2024; Empinotti et al., 2019).

Although laudable for its ambitious goals and achieving significant infrastructure expansion, PLANASA faced major challenges and criticisms, including inefficiencies, reduced quality of WSS services, and corruption (Becker & Egler, 1994, as cited in Bermann & Hermsdorff, 2024). PLANASA was firstly criticized for exacerbating existing infrastructural inequalities by prioritizing richer areas and neglecting poorer areas (Bermann & Hermsdorff, 2024). It furthermore faced criticism for failing to prevent pollution by prioritizing water supply over sanitation services leading to inadequate wastewater treatment (Bermann & Hermsdorff, 2024; Empinotti et al., 2019). Lastly, PLANASA was criticized for its top-down approach, centralized control, corruption, and lack of accountability and transparency (Empinotti et al., 2019; Ioris, 2007; Narzetti & Marques, 2021). With the transition to democracy in the late 1980s and early 1990s, PLANASA's role diminished and was formally terminated in 1992, paving the way for decentralization and enhanced flexibility of WSS provisioning based on competition between public and private companies (Ioris, 2007).

4.2. Neoliberal Reforms (1990s)

The model of centralized control by the State began to change in the early nineties, with neoliberalism gaining power as an economic paradigm in the country's governmental spheres, leading to the privatization of public services (da Silva and Fracalanza, 2022). The 1990s brought a significant shift in Brazil's economic policy, especially under President Fernando Henrique Cardoso from 1995-2002. Cardoso, initially known as a social democratic academic, pursued a neoliberal agenda which saw extensive privatization of state-owned enterprises and concessions to the private sector (Goertzel, 2017). Privatization was justified by the belief that reducing state control would lead to increased economic efficiency by combatting the corruption and inefficiencies plaguing state-led enterprises, while reducing public debt and attracting private investments for maintenance and innovation of critical infrastructures (Bermann & Hermsdorff, 2024).

Law no. 8.031/1990, known as the *Programa Nacional de Desestatização* (National Destatization Program; PND), aimed to privatize various sectors managed by the state, including WSS. Responsibility for managing these sectors was assigned to the *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development; BNDES) (Bermann & Hermsdorff, 2024). The PND set out to transfer activities previously managed by the public sector to private enterprises through the sale of state-held assets to private companies, the transfer of public service provision to private entities, and the granting of rights over government property such as water infrastructure (Brasil, 1997).

Federal Law no. 8.987/1995, commonly referred to as the Concessions Law, built upon the framework for privatization established in Law no. 8.031/1990. The Concessions Law allowed for granting concessions and permits for public services in general. This law thereby allowed municipalities to privatize WSS services through concessions, although by the end of 1990s, only a relatively small number of municipalities had done so (Bermann & Hermsdorff, 2024).

Following the Concessions Law, SABESP was transformed into a mixed-capital company in 1997, listed on the São Paulo stock exchange, which enabled it to access public and private investments while operating under market conditions (Empinotti et al., 2019; Bermann & Hermsdorff, 2024). This transformation aimed to increase private investments and harness the efficiency of the market while assuring WSS quality through public oversight (Empinotti et al., 2019; Narzetti & Marques, 2021).

Despite the optimistic goals, the transformation has been widely criticized by scholars and practitioners for several reasons. The most notable critics focus on the conflict of interest resulting from SABESP being semi-privatized. Scholars allege SABESP for prioritizing shareholder dividends and profits over ensuring the equitable distribution of services, maintaining water infrastructure, and accountability and transparency (Bermann & Hermsdorff, 2024; da Silva and Fracalanza, 2022; Lazaro et al., 2023; Narzetti & Marques, 2021). According to da Silva and Fracalanza (2022), mixed-capital WSS companies like SABESP prioritize profits and market-oriented administration, reflecting characteristics of privatization, despite being public entities.

The outcomes of these policies remain debated among scholars, with some arguing that while privatization led to short-term gains in efficiency and investment, it did not fully eradicate corruption or significantly reduce economic inequalities (Kingstone, 2008). Scholars have raised concern for how privatization dynamics prioritize commercial interests over addressing basic water needs, exacerbating social inequalities (Bermann & Hermsdorff, 2024; da Silva and Fracalanza, 2022; Empinotti et al., 2019; Lazaro et al., 2023). Scholars noted that commercial interests of private investors typically prioritized affluent areas, exacerbating social inequalities and leaving many marginalized populations without adequate WSS (da Silva and Fracalanza, 2022; Empinotti et al., 2019; Lazaro et al., 2023; Ioris, 2007). This "cherry-picking" approach undermines the principle of universal access to essential services (Empinotti et al., 2019). This has furthermore hindered necessary infrastructure investments in unprofitable areas, resulting in a deteriorating water infrastructure, frequent service interruptions, and inadequate sewage treatment facilities contributing to environmental pollution (Empinotti et al., 2019; Bermann & Hermsdorff, 2024).

4.3. Basin Committees (1997)

1997 also saw the enactment of the Water Law which aimed to decentralize and democratize WSS governance by establishing participatory basin committees and councils consisting of various stakeholders. This law aimed to align water management with local needs and promote sustainable use of water resources by forcing technocrats to engage with various civil society and market actors (Jacobi, 2004; Empinotti et al., 2019). Critics note that these aims to decentralize, democratize and enhance participation in decision-making governance, which are purportedly intended to make decision-making more equitable, accessible, and relevant, actually serve to legitimize and further entrench neoliberalization processes (de Freitas, 2015).

In the SPMR, this new law involved additional key players in WSS governance, including the state government's *Departamento de Águas e Energia Elétrica* (Water and Electrical Energy Department; DAEE), municipalities, water supply companies, the Industrial Federation, the Agriculture Federation, and various civil society organizations (Empinotti et al., 2019). The SPMR already created the Alto Tietê basin committee in 1994, which included representatives from the state, municipalities, and civil society (Jacobi, 2004).

Despite the formal objectives to decentralize water management and enhance public participation, the basin committees clashed with established management practices in the SPMR based on centralized control (Empinotti et al., 2019; Freitas, 2015; Jacobi, 2004; de Oliveira, 2018). According to de Oliveira (2018), the influence of civil society and low-income groups in the decision-making of basin committees remained limited. State agencies and the local governments did not fully embrace this new participatory model and were reluctant to cede control, resulting in basin committees that existed more on paper than in practice (Empinotti et al., 2019; Jacobi, 2004). De Freitas (2015) noted a similar finding for the São Francisco River Basin committee, spanning the states of Minas Gerais and Bahia. Despite fears for neoliberal reforms, water governance continued to be characterized by long-established traditions of centralized concentrated control and hierarchical decision-making dominated by political elites while restricting social participation (de Freitas, 2015).

4.4. National Sanitation Law (2007)

Law No. 11.445/2007, known as the National Sanitation Law, aimed to ensure universal access to quality sanitation services by encouraging private investments while establishing regulatory agencies at various levels to oversee compliance and service standards (Bermann & Hermsdorff, 2024; Narzetti & Marques, 2021). The law emphasized principles such as transparency, social control, and the integration of policies on water supply, sewage and solid waste (Bermann & Hermsdorff, 2024; Narzetti & Marques, 2021). The law also set guidelines for tariff setting and subsidies to ensure affordability for low-income populations (Empinotti et al., 2019; Narzetti & Marques, 2021; Silva, Braga, & Heller, 2023).

The law has firstly been critiqued for outlining broad objectives without setting concrete targets and deadlines for the expansion of WSS coverage, making it difficult to effectively enforce compliance by service providers to expand WSS coverage (Narzetti & Marques, 2021; Silva, Braga, & Heller, 2023). This consequently led to delays in infrastructure investments by service providers and lacking improvements in the quality and accessibility of sanitation services for the

most vulnerable segments of the population (Narzetti & Marques, 2021; Silva, Braga, & Heller, 2023). Moreover, practical challenges and inconsistent application in many cases lead to disparities in the affordability and accessibility of WSS services, particularly affecting vulnerable populations in informal settlements and areas with high poverty (Empinotti et al. 2019; Narzetti & Marques, 2021; Silva et al., 2023).

The 2007 Sanitation Law effectively positioned SABESP as the main water service provider in São Paulo state by allowing mixed-capital companies like SABESP to simultaneously benefit from public and private investments (Bermann & Hermsdorff, 2024; Empinotti et al., 2019; Narzetti & Marques, 2021). These measures thereby favored large mixed-capital companies, such as SABESP, over smaller purely private or public water companies with relatively fewer resources (Bermann & Hermsdorff, 2024; Empinotti et al., 2019; Narzetti & Marques, 2021). This raises concerns over monopolistic inefficiencies, as SABESP retains significant market control, reducing competitive pressures that could drive improvements (Narzetti & Marques, 2021). However, scholars have also praised SABESP for making significant progress in extending WSS coverage to informal communities through performance-based contracts which rewards new connections made in the slums after ensuring that they are effective for at least two years (Guimarães, Malheiros, and Marques, 2016).

Lastly, scholars have criticized the mixed-capital structure of SABESP for compromising transparency due to conflicting interests between public accountability and profitability, as SABESP managed to keep liabilities of its books and hide shareholder relations (Bermann & Hermsdorff, 2024; Empinotti et al., 2019). The law thus created a situation where SABESP was able to maximize shareholder returns through monopolization of the local WSS sector while benefiting from public resources and avoiding transparency obligations (Empinotti et al., 2019).

4.5. Policy Responses to Water Crisis SPMR (2013-2015)

Beginning in October 2013, the SPMR suffered its greatest water crisis following a prolonged period of drought, marked by reduced rainfall and high evaporation due to high temperatures, which drastically depleted surface- and groundwater reserves (Milano, Muniz-Miranda, & Guerrin, 2018; Millington, 2018). During this period, the Cantareira system, the primary water source for the SPMR managed by SABESP, had dangerously low water levels fluctuating between 5% and 15% of their full capacity (Milano et al., 2018; Millington, 2018). The 2013-2015 water crisis in São Paulo had far-reaching consequences, including shortages in the urban water supply of the SPMR, losses in agricultural output, and an energy crisis due to

Brazil's reliance on hydropower generation (Cuartas et al., 2022; Gesualdo et al., 2021; Milano et al., 2018; Millington, 2018; Prado et al., 2016; Soriano et al., 2016). The severity of the water crisis has been attributed to a combination of interconnected climatic, socio-political, and infrastructural factors (Milano et al., 2018; Millington, 2018).

The prolonged period of drought was caused by a rare meteorological event of a persistent high-pressure system blocking the passage of cold fronts from the south and moisture from the Amazon, preventing cloud formation and leading to exceptionally low rainfall and high temperatures (Milano et al., 2018). The amount of annual precipitation was 70% below the historical mean and 35% below the historical minimum. The low precipitation combined with high temperatures and high evaporation led to drastically depleted water reservoirs (Milano et al., 2018). There were however several more factors that exacerbated the situation.

It was later concluded that SABESP did not invest enough in ensuring a regular water supply and infrastructure maintenance to reduce water losses (Câmara Municipal de São Paulo, 2015; Neto, 2015; as cited in de Oliveira, 2018; Santos et al., 2021). SABESP did not seek alternative water sources, making the SPMR overly reliant on the Cantareira reservoir (Santos et al., 2021). Meanwhile, aging water pipes led to significant water losses (Millington, 2018). According to scholars (Figueiras, 2014; Neto, 2015; as cited in de Oliveira, 2018), SABESP prioritized expanding water connections over maintaining existing ones to boost profits and dividends.

Additionally, the pollution of water sources due to inadequate sewage treatment and industrial runoff further compounded the water crisis (Milano et al., 2018; Millington, 2018; Santos et al., 2018). The expansion of urban settlement into watershed areas, which was poorly regulated and often lacked proper sewage systems, led to significant environmental degradation and water pollution (Millington, 2018).

Then there was also the handling of the water crisis by SABESP and relevant authorities to consider. During the crisis, relevant authorities strongly emphasized the freak meteorological conditions that led to the severe and prolonged drought, downplaying the historical water management practices and systemic inequalities which eventually exacerbated the impacts of the drought (Empinotti et al., 2019; Millington, 2018; Santos et al., 2021). SABESP and the state government were criticized for their response to the crisis. Initially, there was delay in state measures to respond to the crisis due to a reluctance to acknowledge the severity of the drought and the state governor's insistence that everything was under control, "perhaps unsurprising in the midst of his re-election campaign" (Empinotti et al., 2019). Measures such as

water rationing and restrictions were promptly delayed, exacerbating water shortages. This shows how motivations for reelection overrode the urgent need for effective crisis management (Santos et al., 2021).

Residents and businesses of the SPMR became accustomed to water shortages from 2014 onwards, finally forcing the authorities to implement three types of measures (Empinotti et al., 2019; Millington, 2018). Firstly, from February 2014 onwards, SABESP began offering discounts for reduced water use to encourage water savings, offering a thirty percent reduction in water bills to those who managed to lower their water by at least fifteen percent (Empinotti et al., 2019; Milano et al., 2018; Millington, 2018). Secondly, in May 2014, SABESP began supplementing the water supply from previously ignored reserves. Most crucially within the Cantareira system, SABESP tapped into the dead volume, referring to the volume that exists below the pumps and was previously ignored in water supply tallies (Millington, 2018). However, serious health and environmental concerns arose regarding the decision to tap into the dead volume due to its questionable quality, the potential risk of contaminating the entire reservoir, and an associated increase in water-borne diseases during 2014 and 2015 (Millington, 2018).

Thirdly, in an effort to avoid formal rationing SABESP controversially reduced water pressure in the city's pipes, mostly at night, to reduce leakage, as approximately 30% of water was lost through leaks due to the aging infrastructure (Millington, 2018). This strategy relied on the assumption that most residents had water storage tanks, which would provide 24-hour water access despite the reduced pressure (Millington, 2018). However, this measure disproportionately affected poorer populations and exposed existing inequalities in the water infrastructure of the SPMR. Poorer, peripheral areas suffered relatively frequent water outages as a result from reduced water pressure, while poorer areas also often lacked the necessary water storage tanks to cope with the outages (Empinotti et al., 2019; Milano et al., 2018; Millington, 2018; Santos et al., 2018). Meanwhile, wealthier areas possessed the means to mitigate the impact through private solutions like water tanks, whereas poorer communities faced intermittent supply (Empinotti et al., 201; Millington, 2018; Santos et al., 2018).

Lastly, several scholars criticized the mixed-capital structure of SABESP and the centralized and technocratic governance structure for weakening participatory processes in decision-making and prompting the government to favor SABESP's profits over water conservation efforts (Empinotti et al., 2019; Santos et al., 2018; Silva et al., 2023; Milano et al., 2018; Millington, 2018). The state government overruled local water committees and municipalities through the

state government's control over mayors and state agencies, such as the DAEE, which held key positions in basin committees (Empinotti et al., 2019). This ultimately meant SABESP could continue to prioritize supplying its most profitable customer base, primarily located in the city of São Paulo, at the expense of other municipalities in São Paulo state, where water rationing was implemented (Empinotti et al., 2019; Santos et al., 2018).

This dynamic led to the prioritization of commercial interests at the expense of addressing the basic water needs of the population, exacerbating the impact of the water crisis in São Paulo (Empinotti et al., 2019; Silva et al., 2023). In the end, neoliberal governance models reinforced centralized and technocratic approaches to handle the water crisis, overlooking the systemic social issues of accessibility and resource distribution (Empinotti et al., 2019; Millington, 2018).

4.6. New Framework for Basic Sanitation (2020)

Federal Law no. 14.026/2020, known as the New Framework for Basic Sanitation, set specific targets and deadlines for the universalization of sanitation and water supply, aiming for 99% of the population to have access to drinking water and 90% to have sewage collection and treatment by 2033 (Bermann & Hermsdorff, 2024; Silva et al., 2023). To achieve this, this law aims to encourage private investments by introducing mandatory competitive bidding processes for sanitation service contracts which include strict requirements for the accessibility and quality of WSS services (Bermann & Hermsdorff, 2024; Silva et al., 2023). These contracts must include specific targets for universalization, consistent supply, loss reduction, and improving wastewater treatment (Bermann & Hermsdorff, 2024; Silva, et al., 2023). This law, furthermore, encourages private investments by calling for a more stable regulatory environment and offering financial guarantees through the federal government to mitigate the risks that have historically deterred private investment in the sector. (Oliveira & Silva, 2021).

Another critical strategy is bundling affluent and poor neighborhoods together into the same bidding contract in an effort to tackle lacking service provisioning in small and less profitable municipalities and ensure more equitable service distribution through a regionalized approach (Freitas, 2020; Oliveira & Silva, 2021; Pires, 2020). Critics note, however, the complexity of this regionalized approach due to significant social, political, and economic disparities and differences in the capacity and willingness of local governments to collaborate with private actors between localities (Instituto Trata Brasil, 2024; Oliveira & Silva, 2021). In practice, there are significant challenges in implementing regionalized service provision, including aligning the

interests of multiple municipalities, integrating different service providers, and managing varied quality standards and contractual terms (Instituto Trata Brasil, 2024).

Moreover, this law established the National Waters Agency (ANA), responsible for ensuring standardization of WSS service regulations, including standards for quality and efficiency, tariff regulation, universalization goals, and streamlining procedures for creating contractual arrangements (Bermann & Hermsdorff, 2024; Freitas, 2021). However, this legislation's focus on federal-level control and oversight raised concerns for potentially overlooking local interests and restricting municipal autonomy (Bermann & Hermsdorff, 2024). The adoption rate of this law has been low, as by 2022 only 118 of Brazil's 5,570 municipalities had private companies providing these services.

Despite its ambitious objectives, the New Framework for Basic Sanitation faces several significant challenges. Firstly, scholars raised concerns about the potential rise in service costs due to private sector involvement, which could disproportionately impact low-income households (Freitas, 2021; Pires, 2020). Secondly, scholars have raised concerns about the public sector's capability to effectively regulate private entities to ensure that both service quality and affordability are maintained (Freitas, 2021; Pires, 2020). This includes concerns about how political and economic elites have managed to maintain their influence over regulatory agencies to pursue agendas favorable to these elites, often at the expense of broader, more inclusive water governance initiatives (de Freitas, 2015; Freitas, 2021).

Instituto Trata Brasil (2024), furthermore, found that the New Sanitation Framework has made some progress, but overall failed to ensure universal access to WSS, particularly in unprofitable areas, resulting in persisting geographic disparities in WSS access. The assessment found that, while risks for private investors are minimized, privatization has led to increased tariffs, cost-cutting, job losses, and increased inequality. The study concludes that only public investment can achieve universal access, reduce service access inequality, and improve wages for sanitation workers.

4.7. State Government Authorizes the Privatization of SABESP (2023)

The state government of São Paulo announced to reduce its majority stake to between 15% and 30% (São Paulo State Government, 2024). The bill proposing the privatization of SABESP was approved by the *Assembleia Legislativa do Estado de São Paulo* (São Paulo State Legislative

Assembly; ALESP) on December 6, 2023, and sanctioned by Governor Tarcísio de Freitas through State Law No. 17,853/2023. It faced legal challenges for alleged procedural violations, including insufficient legislative discussion, a chaotic voting session with police intervention, failure to provide necessary studies, and failure to justify the urgency (Pinheiro, 2024). The State Law was approved rapidly with an urgent processing request, despite not justifying the urgency and not providing impact studies (Pinheiro, 2024).

This law authorizes the Executive Branch of São Paulo State to initiate the privatization of SABESP. The privatization process involves selling shares, including controlling interests, through public auctions or stock offerings, and must be preceded by public hearings (São Paulo State Government, 2024). It sets several guidelines for privatization, including achieving universal WSS services by 2029, reducing tariffs, ensuring service quality, and maintaining employee job security for 18 months post-privatization. It also establishes a fund to support sanitation projects, funded by at least 30% of the proceeds from privatization, and outlines the governance and application of this fund. Additionally, the law mandates specific corporate governance measures for SABESP, including special voting rights for the state to veto critical decisions (São Paulo State Government, 2024).

4.8. City Council's Approval (May 2024)

In May 2024, the São Paulo City Council approved municipal law No. 18.107/2024 allowing the city to join the privatization of SABESP with 37 votes in favor and 17 against (São Paulo city council, 2024). This municipal law allows São Paulo to continue basic sanitation services through SABESP after its privatization. This law originates from Municipal Executive's bill (PL 163), which was legally challenged by opposing Council Members for violating the principle of social participation by scheduling votes before public hearings concluded, lacking financial impact assessments, and presenting amendments last-minute. On this basis, a court ordered the suspension of the bill's vote until all public hearings were completed and financial impact estimates provided (Pinheiro, 2024).

During a public debate, politicians, mainly from the MDP (Brazilian Democratic Movement) and União party caucuses, defended the bill stating that this bill will be beneficial for taxpayers by balancing state revenue, increasing infrastructure investments, maintaining quality of service and social tariffs, protecting water sources, and setting universalization goals by 2029 (São Paulo city council, 2024). Additionally, the city of São Paulo, being SABESP's largest client,

guaranteed participation in a deliberative committee to ensure the City Council has a voice in SABESP's decisions (São Paulo city council, 2024).

The bill faced opposition mainly from the PT (Workers' Party), PSOL (Socialism and Liberty Party), and PSB (Brazilian Socialist Party) who feared that the quality of WSS will decrease, tariffs will increase, and the City Council will lose its autonomy (São Paulo City Council, 2024). According to PT leader, Councilor Senival Mouraon, privatization will prioritize profit over quality and negatively impact working-class citizens. Concern was also raised about WSS accessibility in unprofitable outskirts as well as the need for permanent solutions that provide high quality WSS with low tariffs, instead of the bill leaving the option open for provisional temporal solutions for high-risk areas. Lastly, criticism was raised about the lack of public hearings and budgetary transparency (São Paulo city council, 2024).

4.9. New Concession Contract (May 2024)

In May 2024, the new concession contract was approved aiming to facilitate the privatization of SABESP (São Paulo State Government, 2024). The approval process followed public consultations and multiple hearings across various municipalities, which was required by law aiming to ensure transparency and public involvement. An important goal of this contract is to ensure universal access by December 31, 2029 (a shorter deadline compared to the 2033 federal goal set by the New Framework for Basic Sanitation). To achieve this goal, the new contract provides for a notable increase in investments (50%), aimed specifically at improving water infrastructure in vulnerable and peripheral areas.

Additionally, the new contract calls for environmental recovery programs and social housing investments to regularize informal settlements around important watershed areas and polluted reservoirs (São Paulo State Government, 2024). Recognizing and formalizing informal settlements is a crucial step in extending WSS coverage to vulnerable communities which in turn can help to reduce pollution into watershed areas, according to scholars (Hylton & Charles 2018; Marques & Saraiva, 2017).

Moreover, the contract outlines provisions for ensuring that the quality and reliability of services is maintained, the necessary infrastructure investments will be done, while avoiding price hikes under the oversight of the *Agência Reguladora de Serviços Públicos do Estado de São Paulo* (Regulatory Agency for Public Services of the State of São Paulo; ARSESP). Tariffs will be kept lower than expectations by establishing a compensation fund, supported by the proceeds from

privatization and SABESP dividends. Additionally, a social tariff will be applied to users living in vulnerable residential areas or social housing. These measures thus aim to mitigate the financial impact on residents, especially the vulnerable and low-income populations.

4.10. Following CEDAE's Footsteps?

The public auctioning of SABESP, enabled by Law no. 14.026/2020, is not without precedent. CEDAE (State Water and Sewage Company of Rio de Janeiro) was publicly auctioned for R\$ 22.7 billion (approximately 4.2 billion USD) in April 2021, which constituted the largest full concession of a state water company in the history of Brazil (Pinheiro, 2016; Reis et al., 2023). As Rio de Janeiro and São Paulo are the largest and densest urban centers of Brazil, the recent full concession of CEDAE provides a relevant example for the potential socio-economic consequences of the current plans for the privatization of SABESP.

A preliminary study by Reis et al. (2023) on the social effectiveness of the private WSS concessions in the state of Rio de Janeiro concluded that this process has led to price hikes without expanding the universalization of WSS coverage among vulnerable and low-income populations. Reis et al. (2023) assert that the actors gaining the most from the private concession of CEDAE seem to be state-actors (by boosting public revenues), the BNDES, and the investors involved, rather than the most vulnerable segments of society.

Gomes et al. (2022) emphasized that the privatization of CEDAE still has a long way to go towards universalizing basic sanitation in Rio de Janeiro, a state that is relatively deficient in this regard. Nevertheless, based on the example of Angra dos Reis (a municipality of the state of Rio de Janeiro, Gomes et al. (2022) state that municipalities opting to maintain ownership and control of WSS face significant challenges, such as financial constraints, decaying infrastructure, environmental pollution, inability to collect fees, and legal compliance obligations, including environmental standards.

4.11. Concluding: Recurring Concerns in Historical WSS Governance

This chapter traced the historical evolution of WSS policies in Brazil, from centralization under the military dictatorship to the 1990s neoliberal reforms and the recent privatization wave in the SPMR. Academic commentary highlighted ongoing challenges in ensuring equitable distribution, accessibility, and affordability of WSS services. PLANASA (1971-1990) under the military

regime led to inefficiency and corruption, often neglecting poorer areas (Bermann & Hermsdorff, 2024; Empinotti et al., 2019; Ioris, 2007). The 1990s neoliberal reforms sought to reduce state inefficiencies and attract investments, but corruption and socio-economic inequalities persisted, with privatization often prioritizing affluent areas (Bermann & Hermsdorff, 2024; Empinotti et al., 2019).

Despite attempts to decentralize governance, such as through basin committees, centralized control by elites continued, as seen during the 2013-2015 water crisis (Millington, 2018; Santos et al., 2021). The 2020 New Framework for Basic Sanitation furthered privatization trends but faced criticism for reinforcing SABESP's monopolistic position and failing to address diverse municipal needs (Instituto Trata Brasil, 2024; Oliveira & Silva, 2021).

To conclude, SABESP, the basin committees, and relevant authorities have faced criticism for their entrenched, centralized, and hierarchical decision-making dominated by political elites based on neoliberal logic. This approach historically prioritized commercial interests and centralized decision-making over social control and public participation, undermining inclusive and participatory decision-making processes. These dynamics play significantly into current concerns in public debates on the privatization of SABESP, as will become evident from the ensuing chapter.

5. Current Debates on the Privatization of SABESP

This chapter outlines major themes and common concerns raised during public hearings, official statements, and interviews with relevant stakeholders and experts in the field. First, a general overview is provided of the relative occurrence of concerns discussed during the three analyzed public hearings. Following this, the concerns are discussed in detail, highlighting perspectives from both proponents and opponents in the public debates. The following chapter will relate these findings to relevant theoretical insights to assess how these issues manifest in the context of WSS management in the SPMR, compared to broader global patterns in implementing neoliberal policies.

The bar chart below highlights the five most frequently mentioned types of concerns from the three public hearings, ranked from the most to the least mentioned. It should be noted that the concerns below are broad categorizations, encompassing various, often overlapping, subjects.

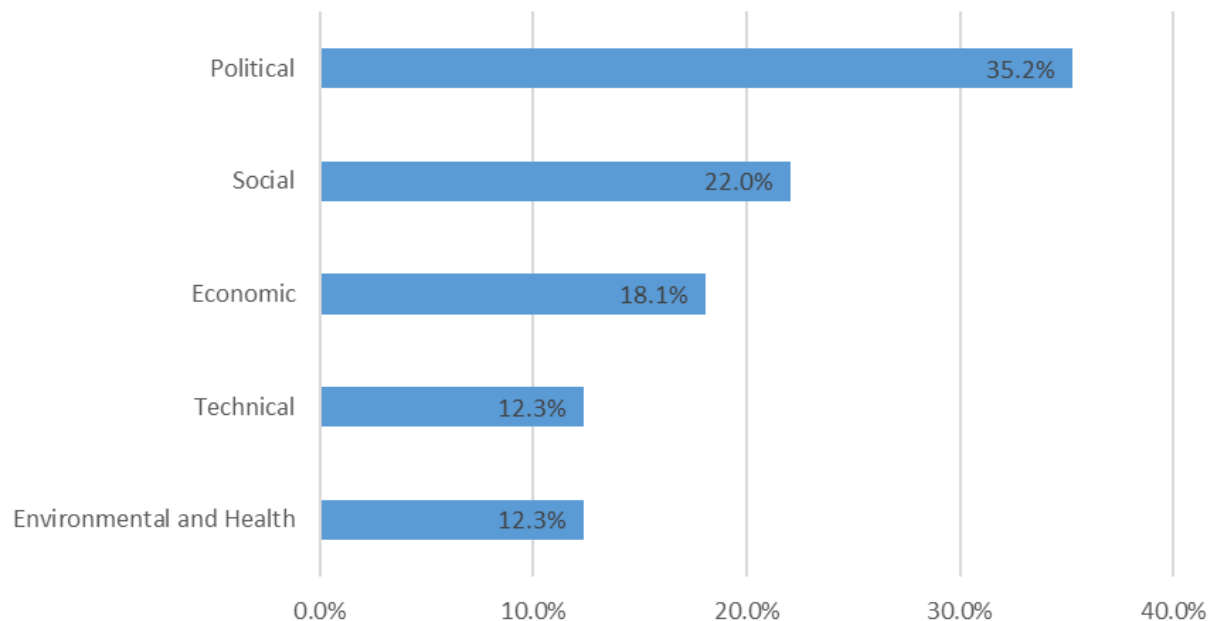


Figure 3: Bar chart demonstrating relative frequencies of quotations for each type of concern as a percentage of total quotations, rounded to one decimal.

5.1. Political Concerns

The public hearings on the privatization of SABESP most heavily featured political concerns and criticisms regarding undemocratic processes, ideological division, transparency, and accountability.

Undemocratic Process and Ignoring Public Opinion

Opponents criticized the undemocratic methods, insufficient public hearings, and widespread public opposition surrounding the privatization process of SABESP. Fernanda Veraldo (April 22, 2024), for instance, referenced hasty and forceful methods used in the legislative process. She noted that the process has bypassed democratic norms, with limited technical studies and even violent police actions against protesters (Fernanda Veraldo, April 22, 2024). Elaine do Quilombo also criticized the rushed legislative process and lack of comprehensive public consultations, while suggesting that other interests are at play (Elaine do Quilombo, May 2, 2024). An interviewee (Policy Advisor, June 15, 2024) corroborated concerns that the process is rushed and politically driven to ensure it happened during Governor Tarcísio's term (Policy Advisor, June 15, 2024).

Meanwhile, public hearings appeared more like formalities to avoid contestation rather than genuine engagement with public opinion, as legal action was necessary to ensure the conclusion of the planned public hearings before the second round of voting (Pinheiro, 2024). The opposition had to force the City Council to hold additional public hearings and reschedule through legal action as proponents initially only held one hearing before voting, announced at the latest possible moment, which was seen as undemocratic (Fernanda Veraldo, April 22, 2024). The chamber approved the bill one day before the second public hearing, undermining social participation. Neither councilors nor the public had sufficient time to thoroughly review the project and there was no impact study carried out, rendering the hearings almost pointless (Silvia Ferraro, April 24, 2024; José Antônio, April 24, 2024). The opposition and the Public Defender's Office therefore argued that the process was undemocratic, with the latter recommending the judge to annul the first vote on the privatization project due to violations of democratic rights (Silvia Ferraro, April 24, 2024).

Moreover, critics pointed out the limited number of public hearings and criticized their accessibility for distant residents due to their poor geographical distribution (Celso Giannazi; Jorge, April 22, 2024). Celso Giannazi (April 22, 2024) criticized the scheduling of public

hearings at inconvenient times, making it difficult for the general population to participate. Débora Pereira de Lima condemned the biased access to public hearings, where supporters of privatization were given preferential treatment over opponents (Débora Pereira de Lima, May 2, 2024). Luana Alves lamented the difficulties faced by the public in accessing hearings and expressed concerns over the intimidation of SABESP employees and citizens by officials (Luana Alves, April 22, 2024).

José Antônio cited recent surveys showing significant public opposition to privatization, arguing that the debate has shifted away from whether privatization truly benefits the people (José Antônio, April 24, 2024; May 2, 2024). Jorge mentioned a petition with over 14,151 signatures opposing the privatization (April 22, 2024). Hilton Marioni and Francine Delfino Gomes both highlighted the disconnect between the parliament and the public, criticizing political decisions made without public input or thorough technical studies and emphasizing that elected representatives should listen to their constituents (Hilton Marioni, April 22, 2024; Francine Delfino Gomes, May 2, 2024). Celso Giannazi (April 24, 2024) and Silvia Ferraro (April 22, 2024) reiterated the strong public opposition to privatization, advocating for extensive public consultations and a plebiscite to ensure a democratic process, noting that 61% of São Paulo residents oppose privatization

Proponents of privatization, on the other hand, defended the democratic legitimacy of the privatization process, criticizing instead the low willingness of the populations to participate in political matters. Sidney Cruz discussed past efforts to decentralize public hearings, which still faced low attendance. He highlighted the need to rebuild the relationship between the public and political institutions, noting that the problem isn't merely the timing of hearings but the broader political engagement (Sidney Cruz, April 22, 2024). Arlindo Armario stressed the importance of public participation in the legislative process, whether in-person or online, and emphasized respectful and knowledgeable discourse (Arlindo Armario, April 24, 2024). He argued that it is our (the population's) own fault for not being willing to engage with politics, as democratic processes are already in place in this country.

Proponents furthermore argued that public representatives already have the mandate to make this decision, rejecting the need for a referendum. Alex Albuquerque noted that the privatization of SABESP is already a settled matter in the legislative assembly (Alex Albuquerque, May 2, 2024). President Rubinho Nunes argued that a plebiscite would be non-binding anyway and defended the scheduling of public hearings, stating that complaints arise regardless of the time

chosen. He emphasized that hearings have been held at various times and locations to accommodate public participation (President Rubinho Nunes, April 22, 2024).

Expert interviewees suggest that the handling of SABESP's privatization process seems to reflect a broader trend of highly centralized decision-making by state entities and SABESP, as also occurred during the 2013-2015 water crises, with limited public participation, transparency and accountability in decision-making processes (ONDAS, July 12, 2024; Researcher 1, July 22, 2024).

Ideological Division, Political Motives, and Corruption Concerns

Opponents collectively argued that privatization is being driven by ideological beliefs in neoliberalism, rather than by scientific evidence or economic logic (José Antônio, May 2, 2024). They argue that the proponents of privatization have purposely ignored studies and historical examples which suggest that privatization would worsen service quality and not necessarily reduce tariffs (José Antônio, April 24, 2024; Silvia Ferraro, April 24, 2024). Interviewees indicated that SABESP's privatization plans are strongly linked to political motives to bolster Governor Tarcísio's reelection (Policy Advisor, June 15, 2024), raising concerns about potentially prioritizing political gain over public welfare.

Cid Barbosa Lima (April 22, 2024) critiqued the extreme capitalistic nature of the Washington Consensus for exploiting the population by pushing neoliberal reforms that sought to dismantle public institutions since 1989. Opponents argue that SABESP, with adequate resources and proper political will, could achieve universal sanitation by 2029 without privatization. They attribute any inefficiencies to political mismanagement by right-wing ideologies over the past decades (Jaqueline da Silva Alves, April 24, 2024). An interviewee (ONDAS, July 12, 2024) accused the right-wing government of withholding state resources to deliberately worsen SABESP's performance to justify its privatization. Governor Tarcísio and Mayor Nunes were moreover criticized for their support for a broad privatization agenda, which includes education, health, transport, and public spaces, in exchange for political favors and financial gains for electoral purposes (Celso Giannazi, April 24, 2024; Silvia Ferraro, April 24, 2024).

Proponents of privatization, on the other hand, accuse the leftist opponents of not caring about the needs of São Paulo's poorest and most vulnerable populations, and instead being driven by their own interests in protecting sources of corruption and jobs of unproductive workers (Douglas Garcia; Lucas Pavanato, May 2, 2024). Lucas Pavanato (May 2, 2024), for instance,

accused the leftist opponents of playing political games, corruption and using state enterprises for political and personal gain.

Alex Albuquerque and Rodrigo Neves (May 2, 2024), view the leftist defense of the status quo as inconsistent and a betrayal of the suffering population. Alex Albuquerque (May 2, 2024) pointed to the inconsistency of leftists previously criticizing SABESP's performance but now defending it, suggesting they are influenced by unions or other interests. Lastly, Mayor Rubinho Nunes (April 24, 2024) defended his belief in economic liberalism and free-market principles as the best means to combat poverty and improve lives, while supporting privatization as a means to prevent future government corruption, as seen in past PT administrations. It thus appears the public debates are highly polarized, with both sides accusing the other of not representing the needs of the poor and being guided by ulterior motives.

Shaping of Public Opinion

Opponents argue that the promises of improved service delivery are misleading and that SABESP is already well underway to reach universalization targets (Alisson Carlos da Silva, April 24, 2024; José Antônio, May 2, 2024; ONDAS, July 12, 2024). They furthermore accuse the mainstream media of perpetuating a misconception of SABESP's malfunctioning by wrongfully equating SABESP's performance with the relatively poor state of WSS services in the rest of Brazil. Interviewees supported this view, stating that the media has played a significant role in shaping public opinion towards the necessity of privatization by creating the false impression that WSS are not progressing (ONDAS, July 12, 2024; Researcher 2, August 8, 2024). An interviewee moreover mentioned the use of fear tactics in the media to create a narrative of water scarcity and other water problems during the lead up of new privatization laws (Researcher 2, August 8, 2024). However, after these laws were approved, such news significantly decreased, indicating a strategic use of media to influence public perception (Researcher 2, August 8, 2024).

Populist Paradox

This appeal to the needs of poor peripheral communities by proponents of privatization seems to resonate in these communities. Interviewees (ONDAS, July 12, 2024; Researcher 1, July 22, 2024) have highlighted the seemingly paradoxical support for rightwing ideology among peripheral vulnerable communities, which they attributed to several key factors. Firstly, they highlighted the influence of evangelical churches, which are highly active in these regions.

These churches often promote ideologies that align with neoliberal principles, such as individual responsibility and success through personal effort (ONDAS, July 12, 2024; Researcher 1, July 22, 2024). These churches' furthermore tend to give political support for right-wing conservative candidates who advocate for privatization and market-based solutions(ONDAS, July 12, 2024; Researcher 1, July 22, 2024). One interviewee explained that many residents in these areas vote for right-wing candidates not necessarily because of economic issues but due to moral and religious reasons. As many of these residents are religious, moral arguments, such as abortion, can be leveraged for political support (Researcher 2, August 8, 2024). Additionally, the socio-economic structures in these areas, including the presence of militias and the limitations of the education system, make these populations more susceptible to simplistic neoliberal promises, which may adversely affect these populations by not addressing underlying structural inequalities (ONDAS, July 12, 2024).

Transparency and Accountability

Despite assurances from government officials, uncertainties and concerns about the impact of privatization persisted due inconsistencies in government statements and due to a lack of accountability, transparency, and financial guarantees (Alisson Carlos da Silva; Jaqueline da Silva Alves, April 24, 2024; Gabriel de Medeiros, May 2, 2024).

Celso Giannazi criticized the absence of a financial impact assessment in the privatization proposals, making it unclear what the city of São Paulo stands to gain from this process (April 22, 2024). He criticized the superficial nature of the proposals for lacking adequate details and transparency, describing them as “*poucas folhas, poucos artigos, totalmente uma insegurança*” (English: few pages, few articles, totally insecure). He therefore called for a thorough financial impact study before proceeding with the privatization to enable informed decision-making. Jaqueline da Silva Alves called for more transparency and regulatory oversight to ensure fair pricing, criticizing the lack of access to essential reports by civil society (April 24, 2024).

Francine Delfino Gomes shared concerns about the lack of economic safeguards and guarantees that municipalities and a privatized SABESP will be financially capable of maintaining and improving the services (April 24, 2024). Alisson Carlos da Silva (April 24, 2024) called out the absence of clear investment commitments, warning that privatization efforts often overlook the need for adequate penalties for non-compliance. Francine Delfino Gomes (April 24, 2024) also raised concerns about the financial capability of municipalities to eventually take back control, when private companies fail to provide adequate services, to ensure that services

will not be disrupted and the municipality will not be overburdened financially. Lastly, Lucas Castro critiqued the privatization debates for lacking technical details and clear and concrete plans to ensure the successful delivery of water services (April 24, 2024). The opponents thus collectively called for detailed financial assessments, robust economic guarantees, and clear technical plans for a more transparent and accountable approach to privatization.

Fernando Chucre (April 22, 2024) responded to these concerns by stating that the current agreement ensures maintaining the services currently provided under the current contract between SABESP and the municipality of São Paulo. He asserted that under no circumstances will there be a loss in relation to the current contract. Chucre acknowledged that there have been questions raised about these guarantees, which have been directed to the state. The state is now providing a series of clarifications, which the mayor is expected to finalize in May, making all technical data public.

5.2. Social Concerns

Social concerns expressed during the public hearings mainly focussed on how privatization could exacerbate geographic disparities in the accessibility, quality, and reliability of WSS services, disproportionately affecting vulnerable populations.

Geographic Disparities in WSS Coverage

Opponents of privatization argue that water, as a universal human right, should not be treated as a commodity and instead requires public managements to ensure universal access, particularly to provide coverage in less profitable rural or peripheral areas (Cid Barbosa Lima; Celso Giannazi; April 22, 2024; Francine Delfino Gomes; René Vicente, April 24, 2024; Luna, May 2, 2024; Researcher 2, August 7, 2024). René Vicente, from Sintaema, raised concerns that the universal right to access to WSS may not be guaranteed under privatization, particularly in unprofitable areas, as private companies tend to prioritize profits over human wellbeing (April 24, 2024). This concern was shared among interviewees (ONDAS, July 12, 2024; Policy Advisor, June 15, 2024; Researcher 1, July 22, 2024; Researcher 2, August 7, 2024). One interviewee was particularly concerned about how private companies will handle informal connections ("gatos"), which are currently tolerated by SABESP as they provide water to vulnerable communities (Policy Advisor, June 15, 2024).

Fernanda Veraldo (April 22, 2024), moreover, explains that private companies typically avoid less profitable informal areas due to higher installation costs and legal obstacles for informal settlements. Interviewees (ONDAS, July 12, 2024; Researcher 2, August 7, 2024) stated that technical and legal barriers are typically employed as excuses to not invest in less profitable informal settlements.

Opponents also argue that SABESP is already effective at achieving universalization goals. José Antônio (April 24, 2024), for instance, noted that SABESP has already achieved 94% coverage in the municipalities it serves and reinvests its profits into expanding and maintaining infrastructure. An interviewee (ONDAS, July 12, 2024) similarly stated that, contrary to misleading media claims, the SPMR made significant progress in expanding WSS coverage, citing the 2023 UN report placing Brazil among the top three countries improving sewage treatment (UN, 2023b). He admitted that sanitation coverage is still lacking in rural and peripheral areas in Brazil, but that privatization will worsen service quality and coverage in less profitable areas due to the financial focus of private companies.

Proponents, on the other hand, tend to criticize SABESP competence, efficiency and performance to justify privatization (Lucas Pinheiro, April 24, 2024; Alex Albuquerque, May 2, 2024; Paulo Maverique, April 24, 2024; Lucas Pavanato, April 24, 2024; Douglas Garcia, May 2, 2024). PL City Council member, Lucas Pavanato (April 24, 2024) blames current management for public health crises and lacking sanitation in peripheral areas. Former republican state deputy in São Paulo, Douglas Garcia (May 2, 2024), therefore argues that opponents are “*contra a população mais pobre da cidade de São Paulo*” (against the poorest population of the city of São Paulo). One proponent, Lucas Pinheiro (April 24, 2024) did, however, acknowledge that service coverage in the state of São Paulo is better compared to the rest of the country, but still criticized SABESP for the approximately 600 thousand citizens that lack access to sanitation within the SPMR.

Proponents argue that privatization will bring necessary investments to advance universal service goals and improve service quality. Lucas Pinheiro from the Livres Movement asserts that privatization will ensure 66 billion reais in investments, advancing universal service goals by four years (April 24, 2024). City Council Member Sidney Cruz emphasizes the disparity in sanitation service coverage between affluent and rural areas, arguing that new contracts will ensure additional investments in recovering polluted reservoirs and investing in social housing. Fernando Chucre, the Executive Secretary for Planning and Priority Deliveries, supports

privatization by stating that existing contracts ensure no loss of current benefits and services, with negotiations resulting in a 50% increase in investments specifically targeting infrastructure improvements in vulnerable and peripheral areas (April 22, 2024).

5.3. Economic Concerns

The public hearings feature many economic concerns related to SABESP's privatization. These mainly revolve around SABESP's monopolistic positions, potential market failures, and potential tariff increases.

Monopolistic Position and Prioritization of Profitability

Many opponents' concerns surrounding privatization stem from SABESP essentially having a monopoly on WSS in São Paulo, thus lacking the necessary competition for achieving cost-effectiveness, lower prices, and incentives to improve service quality, coverage, and reliability (Cid Barbosa Lima; Helena Maria da Silva; Jorge, April 22, 2024). Opponents of SABESP's privatization argue that essential state services should encompass natural monopolies, such as water, sanitation, and electricity, to ensure affordable tariffs and adequate service coverage, quality, and reliability (Cid Barbosa Lima; Celso Giannazi, April 22, 2014).

Additionally opponents of privatization raised significant concern about private companies' prioritization of profits over public welfare and health (Jorge; Renê Vicente dos Santos, April 22, 2024). SABESP, while officially a state company, has been partially privatized since the early 2000s, with 49% of its shares traded on the New York and São Paulo stock exchanges (Researcher 2, August 7, 2024). It therefore operates with a private-sector mindset, prioritizing profitability over public service, which some critics label as a "colonized" state enterprise (Researcher 2, August 7, 2024).

One interviewee highlighted how SABESP's monopolistic position led to a lack of investment in alternative water sources and inadequate efforts to reduce water losses, exacerbating the crisis (Researcher 1, July 22, 2024). Additionally, private contracts with major industries like Coca-Cola were given preferential treatment over public ones, compromising public welfare for corporate interests (Researcher 1, July 22, 2024). This profit-driven approach intensified geographic and economic disparities in water supply, with wealthier and industrial areas receiving better service, while poorer, peripheral neighborhoods suffered severe shortages, further deepening existing inequalities.

Opponents also argue that SABESP is already profitable and efficient, having R\$ 3.5 billion net profit and R\$ 17.72 billion annual revenue last year and exporting technology worldwide, which is why there is interest in privatizing the company in the first place (Helena Maria da Silva, April 22, 2024; Celso Giannazi, April 24, 2024). Interviewees (ONDAS, July 12, 2024; Policy Advisor, June 15, 2024; Researcher 1, July 22, 2024), similarly questioned the necessity of privatizing SABESP, a robust, profitable, and technically capable company, with concerns that it may not resolve inefficiencies and could lead to new market failures. An interviewee (ONDAS, July 12, 2024) added that investors incur significant debts in acquiring the public company, requiring cost curing measures and tariff increases to pay off these debts and to pay interests. The interviewee argues that public companies are more effective at serving unprofitable regions and achieve public health goals due to a stronger public accountability and less profit-driven motives.

Proponents of privatization, in contrast, argue that state incompetencies and inefficiencies have historically hindered SABESP's ability to address many concerns effectively, including pollution, public health, and service quality, coverage, and reliability. One notable voice is Arlindo Armario (April 24, 2024), who points to inefficiency and high costs of public management. Paulo Maverique (April 24, 2024), moreover, points to the persistent environmental and public health issues due to mismanagement. Jéssica Nascimento (May 2, 2024), argued that privatization can lead to improved efficiency and service quality. Additionally, Rodrigo Neves (May 2, 2024) criticizes decades of poor state planning and incompetence, while Sidney Cruz (May 2, 2024) underscores the disparity in service coverage and the necessity of private investment to restore and enhance infrastructure.

Economic Impacts, Tariffs, and Affordability

The debate over privatizing SABESP prominently featured concerns regarding potential tariff increases and how this might disproportionately impact low-income residents and exacerbate economic inequalities (Policy Advisor, June 15, 2024; Renê Vicente dos Santos, April 22, 2024). Jaqueline da Silva Alves (April 24, 2024) accused governor Tarcísio of not wanting to guarantee that the entire population will not be negatively affected by the more expensive charge. She stated that curiously when SABESP's privatization discussions began, more than 900 thousand beneficiary families lost access to the social and vulnerable water bill tariff. An interviewee stated that a measure to increase in the number of families eligible for the social tariff was suspended, which would have benefited three million families, to increase SABESP's profitability and thereby appeal to potential investors (ONDAS, July 12, 2024).

Silvia Ferraro (April 22, 2024), furthermore, mentioned a study by the *Tribunal de Contas do Município* that found no guarantee that tariffs would decrease post-privatization, instead suggesting a high risk of inefficiency and tariff hikes. An interviewee (ONDAS, July 12, 2024) explained that the lack of guarantees for lower tariffs is intended to make the purchase of SABESP more attractive to potential investors. The interviewee stated that privatization does not bring money to sanitation, rather it takes money out of sanitation (ONDAS, July 12, 2024). He argues that privatization inevitably leads to tariff increases because the company needs to pay off the debt plus interests incurred from the acquisition. Underscoring this, another interviewee (Researcher 1, July 22, 2024) highlighted how SABESP got exposed for offering discounts to companies while charging higher tariffs to municipalities, compounding water scarcity during the 2013-2015 water crisis.

There were furthermore many references to price hikes following past privatizations. Helena Maria da Silva stated that privatizations in Brazil have generally led to higher tariffs and reduced service quality (April 22, 2024). In this regard, many cited the example of Enel. Another example mentioned several times was the privatization of the funeral service in São Paulo, which reportedly “quadrupled the rates for needy people to bury their loved ones” (Celso Giannazi, April 24, 2024).

Supporters of privatization countered these concerns by arguing that privatization could drive cost-efficiency, increase investment plans, improve contracts while ensuring social tariffs (Alex Albuquerque; Arlindo Armario; Bruno Fonseca; Paulo Cogos, May 2, 2024; Sidney Cruz, April 24, 2024). Fernando Chucre sought to alleviate concerns about tariffs by stating that a compensation fund has been created to prevent tariff increases over the contract period and people in economically precarious situations will remain eligible for a social tariff (April 22, 2024). Supporters furthermore emphasized that the savings in costs can be reinvested in improving services for the population and help to ensure prices will stay low (Alex Albuquerque; Douglas Garcia, May 2, 2024; Fernando Chucre, April 22, 2024).

5.4. Environmental and Health Concerns

Opponents argued that privatizing SABESP could exacerbate environmental degradation and jeopardize public health. They also fear that a privately-led SABESP might mishandle future water crises and climate-related challenges.

Water Pollution

Opponents argue that privatization of SABESP could exacerbate environmental and public health issues in São Paulo, citing concerns over decreased regulatory oversight, the continuation of vital river cleanup projects, and the affordability of water services.

Sewage collection and treatment in the SPMR face significant challenges due to the city's complexity and growth, which requires effective public policies, instead of further privatization, according to Susana Saldanha (April 24, 2024). Alisson Carlos da Silva (April 22, 2024), from Sintaema, emphasized that privatization could lead to decreased control over environmental standards, resulting in greater contamination of water sources. He also noted that the existing contamination in São Paulo's reservoirs is partly caused by legislative and executive failures to effectively enforce sanitation services in informal settlements near water sources, which complicates effective sanitation and pollution control efforts. Interviewees also noted the challenges to effective monitoring and regulating environmental standards (ONDAS, July 12, 2024; Researcher 2, August 7, 2024).

Past examples of the water privatization in the UK and *Empresa Metropolitana de Águas e Energia* (Metropolitan Water and Energy Company; EMAE) were cited to show that private companies tend to lead to external costs in the form of water pollution (Cid Barbosa Lima; Renê Vicente dos Santos, April 22, 2024). An interviewee (ONDAS, July 12, 2024) explained that regulatory agencies in Brazil often lack the strength to enforce compliance to prevent pollution, but added that if a public company isn't regulated effectively, it's hard to believe a private company will be. He pointed to the example of water privatization in the UK causing extensive water pollution despite presumably having stronger regulatory agencies than Brazil.

An interviewee explained that pollution is partly caused by improper incentive structures, as SABESP collects fees for water treatment without consistently delivering these services (ONDAS, July 12, 2024). Organizations like ONDAS exerted pressure for the adoption of a system where households with both collected and treated sewage would pay a different tariff than those with only collected sewage. This differentiation incentivizes the proper treatment of sewage by making it financially beneficial for companies to treat the sewage rather than just collect it (ONDAS, July 12, 2024). However, according to this interviewee, this approach was later suspended by the regulatory agency due to influence from the state government during privatization discussions, presumably aimed at making the company more attractive and profitable for potential investors.

Another interviewee expressed concerns about the continuation of projects aimed at cleaning rivers like the Pinheiros and Tietê post-privatization, questioning whether a privatized SABESP would still fulfill its role in such projects (Policy Advisor, June 15, 2024). In addition, there is concern that poorer populations will be forced to rely on unsafe water sources as they become disconnected from water services due to the inability to afford potentially higher prices after privatization (Researcher 2, August 7, 2024).

Proponents of privatization (Arlindo Armario; Paulo Maverique, April 24, 2024; Jéssica Nascimento; Rodrigo Neves; Sidney Cruz, May 2, 2024), on the other hand, point to current public health risks and the historical failure of SABESP to resolve pollution problems as arguments for privatization. These environmental problems include sewage connections being directed directly into Billings and Guarapiranga reservoirs, partly due to the high operational costs and inefficiencies, exacerbating environmental and public health issues (Arlindo Armario, April 24, 2024). Sidney Cruz (May 2, 2024) added that the new contract will ensure additional investments for recovering polluted reservoirs, restoring watershed areas, and investing in social housing.

Water Treatment in Informal Settlements

Both proponents and opponents of privatization acknowledged that inadequate sanitation services in informal settlements within watershed areas significantly contribute to ongoing water pollution issues. They also recognize substantial challenges of extending WSS services to these unregulated regions.

Opponents argue that the privatization of SABESP will not resolve the lack of sanitation access in informal settlements, arguing that the real solution lies in the legalization of informal settlements and improving housing with access to public sanitation (Alisson Carlos da Silva, April 24, 2024). This is because legal limitations currently prevent sufficient sanitation service from reaching various areas of informal occupation in the city's outskirts (Fernanda Veraldo, April 22, 2024). Luna Zarattini and Silvia Ferraro (May 2, 2024), therefore, argue that the municipal government and Mayor Ricardo Nunes bear responsibility for water pollution in informal settlements due to their decision to not legalize these areas.

According to an interviewee (ONDAS, July 12, 2024), arguments about the illegality of areas or insufficient street width are frequently used by SABESP and other private companies to justify not providing services in unprofitable areas. He added that privatization will probably exacerbate

this dynamic, as a privatized SABESP will likely pass off responsibility to the state even more due to profit interests.

Proponents of privatization acknowledged the state's role in land regulation and lacking sanitation in informal settlements and the resulting pollution in watershed areas. City Council Member Sidney Cruz (April 22, 2024) advocated for establishing special zones of social interest, converting some environmental areas into social housing, to condense and organize dispersed informal housing into residential buildings with adequate WSS provisioning. This is meant to address the legal obstacle of building infrastructure for WSS in areas that are protected as environmental zones but are already heavily occupied by informal settlements (Sidney Cruz, April 22, 2024).

Water Crises and Climate Change

Opponents frequently mentioned the 2013-2015 water crisis in São Paulo as an example where SABESP acted in the interest of the public due to public oversight, while purely private market forces would have exacerbated the crisis (Celso Giannazi; Helena Maria da Silva; Jorge; Renê Vicente, April 22, 2024). For instance, Jorge (April 22, 2024), a long term citizen, emphasized that the efforts by the workers of SABESP saved the situation by avoiding massive rationing and cutting off supply, while stating that a private monopoly would have led to dry taps and widespread suffering during the next water crisis. Multiple speakers emphasized that SABESP offered discounts for reduced water usage during shortages, while private companies would not implement such a measure due to profit motives (Helena Maria da Silva; Ramon dos Santos Júnior, April 22, 2024).

A PSOL City Council member, Celso Giannazi (April 22, 2024), highlighted the swift and effective response to the 2014-2015 water crisis by state workers and the governor's decision to interconnect reservoirs, while arguing that private companies, driven by profit motives, would not have acted as effectively if there is no profit in it for them. He furthermore raised concerns about the prospect of a private company administering water while the climate crisis is progressing, alluding to the high likelihood of a future water crisis. Hilton Marione (April 22, 2024), from Sintaema, also raised concerns about the high probability of recurring water crises and how they would be handled if SABESP were to be privatized.

There was only one mention of water crises by the proponents of privatization. Historian Rodrigo Neves (May 2, 2024) accused the state of incompetence during the 2014-2015 water

crisis without any further elaboration. An interviewee (Researcher 1, July 22, 2024), however, stated that SABESP was unprepared for the severe drought during the past water crisis as the company's profit motives withheld the company from investing in preventing water leakage and seeking alternative water sources.

5.5. Technical Concerns

Technical concerns mainly revolve around the quality and reliability of WSS services post-privatization, fearing that prioritization of profits will compromise public welfare by cutting costs.

Service Quality and Reliability Concerns

Opponents collectively argued that private monopolies in essential services like water, energy, and transportation can compromise public welfare through decreased service reliability, quality, and accessibility (Cid Barbosa Lima; Fernanda Veraldo; Helena Maria da Silva; Hilton Marione; Jorge; Renê Vicente dos Santos, April 22, 2024). Several speakers highlighted past experiences of privatization where private monopolies prioritized profit and cut costs causing a decline in service affordability, reliability, quality, and accessibility (Helena Maria da Silva; Jorge; Renê Vicente dos Santos, April 22, 2024; Luna Zarattini, May 2, 2024).

Luna Zarattini (May 2, 2024), firstly, referenced the privatization of CEDAE water services in Rio de Janeiro, causing a 564% increase in complaints. In addition, several speakers mentioned how the privatization of the energy company Enel resulted in poor service and frequent outages (Helena Maria da Silva; Jorge, April 22, 2024). Many pointed to the example of water privatization in the UK reducing service quality and causing pollution, fearing a similar effect of privatizing SABESP (Cid Barbosa Lima, April 22, 2024; ONDAS, July 12, 2024). One interviewee (ONDAS, July 12, 2024) accused politicians of deliberately degrading services by withholding funds and support for WSS services to make the public desperate for improvements, thereby creating more public support for privatization.

Proponents of privatization criticize SABESP's current service quality and reliability, arguing that privatization will lead to service improvements through increased investment, enhanced management, and greater efficiency (Lucas Pinheiro, April 24; Paulo Cogos, May 2, 2024). They believe privatization will thereby address basic sanitation needs, reduce costs, and provide essential services more effectively than state management, which according to them has failed

in the past. Sidney Cruz, moreover, stated that service quality and reliability will be safeguarded by establishing a new "water authority" which will monitor, enforce, and optimize the new contract, ensuring that the privatized model does not fall short compared to the current agreement (April 22, 2024).

Regulatory Capture

Expert interviewees raised serious doubts about the capacity of relevant agencies to effectively monitor and regulate private companies' adherence to such standards of maintaining the quality and delivery of WSS services (ONDAS, July 12, 2024; Researcher 1, July 22, 2024; Researcher 2, August 7, 2024). These interviewees recounted past instances of revolving doors, noting that members of regulatory agencies in Brazil and the SPMR have in the past, and will likely again, aspire to become directors of the very companies they are supposed to regulate. This includes Jerson Kelman, who served as president of the National Water Agency (ANA) before serving as president of SABESP (ONDAS, July 12, 2024; Researcher 1, July 22, 2024).

An Interviewee (ONDAS, July 12, 2024) alleged relevant authorities of suspending measures that could make privatization less attractive, such as the separation of sewage collection and treatment fees and the expansion of the social tariff. These measures were suspended to increase the attractiveness of the privatization of SABESP, exemplifying regulatory capture in favor of private interests. These concerns about regulatory capture point to a potential compromised capability and commitment of relevant authorities to effectively regulate, monitor, and enforce WSS standards (ONDAS, July 12, 2024; Researcher 1, July 22, 2024).

Employment Impacts

In addition, there is the concern for massive layoffs and an associated decrease in service quality. Renê Vicente dos Santos (April 22, 2024), from Sintaema, raised the fear that privatization will deteriorate service quality as private management will likely cut costs by laying off qualified workers and hiring subcontractors. He added that this increasing outsourcing is already leading to a loss of control and ability of SABESP to effectively deliver services. He gave the example of a subcontractor for SABESP that simply abandoned an entire neighborhood, with SABESP workers having to fill in the gap (April 22, 2024).

Proponents of privatization, on the other hand accused SABESP as a source of unnecessary employment for unproductive workers, which will be ended when SABESP is privatized (Arlindo Armario, April 24, 2024; Bruno Fonseca; Lucas Pavanato, May 2, 2024). Arlindo Armario, for

instance, criticized the inefficiency and high costs of SABESP's operations, pointing out that multiple engineers often supervise minor tasks (April 24, 2024).

5.6. Concluding: Current Debates

Current debates center on fears of undemocratic processes, environmental degradation, inequitable service distribution, reduced service quality, and higher tariffs, particularly impacting vulnerable populations. Opponents criticize the privatization process as rushed and lacking in public participation and transparency, arguing that it could lead to increased pollution, compromised public health, reduced service quality, higher tariffs, and lacking service access in unprofitable areas, disproportionately affecting poorer communities. They emphasize SABESP's existing efficiency in achieving high coverage rates and reinvestment in infrastructure, warning that privatization would prioritize profit over public welfare. Proponents, however, argue that privatization will bring necessary investments and efficiency improvements, countering that the current public management has been inefficient and unable to address persistent environmental and service quality and coverage issues. The debates are deeply polarized, reflecting broader ideological divisions over neoliberal policies and their socio-environmental implications.

6. Discussion

This chapter begins by addressing the first sub-question, exploring the relationship between historical and contemporary concerns in debates on WSS policy and privatization. The second section connects these findings to the broader literature on neoliberalism, answering the second sub-question by examining how SABESP's privatization exemplifies and expands our understanding of the evolving nature of neoliberalization in Brazil and beyond. The third section provides policy recommendations based on the findings and theoretical insights. Finally, the chapter concludes by discussing the limitations of this research and suggesting avenues for future studies.

6.1. Ripple Effects of Historical Experiences in Current Debates

The first research question investigates how historical experiences in WSS governance in Brazil have shaped contemporary debates on the privatization of SABESP? The historical context of WSS policies and privatization in Brazil, particularly in the SPMR, reveals a pattern of persistent socio-environmental concerns, many of which reverberate into current debates. Historical concerns about privatization primarily revolve around undemocratic processes, inequitable service distribution, potential tariff increases, regulatory capture, inadequate environmental enforcement, deteriorating service quality, and pollution, with particular fears about the impact on vulnerable populations in low-income and informal areas. The 2023 decision to privatize SABESP has reignited many of these concerns in public debates, with many concerns being grounded in the historical context of Brazil and the SPMR.

Political Concerns

It is noteworthy that current debates focus so heavily on political concerns, pointing to undemocratic processes, limited public input, ideological divisions, political motives overruling public interests, compromised regulatory capacity, and issues of transparency and accountability. Opponents emphasized the lack of public hearings and rushed legislative procedures due political motives. These political concerns can be traced back to the historical tradition of top-down and centralized approach to WSS governance in Brazil, often lacking genuine participatory processes, which are often only formalistic (Bermann & Hermsdorff, 2024; De Freitas, 2021; De Oliveira, 2018; Empinotti et al., 2019; Millington, 2018). Despite policy reforms aimed at increasing participation and decentralizing WSS governance, in practice,

management of WSS systems frequently remains entrenched in a traditional technocratic decision-making model, where power is concentrated among political elites who often prioritize commercial interests over socio-environmental justice (De Freitas, 2021; De Oliveira, 2018). This persistence of established practices grounded in neoliberal principles can be attributed to institutional inertia and neoliberal resistance (Gautreau and Perrier, 2019; as cited in Santos, 2021), which makes it difficult for governmental bodies to embrace new policy paradigms which emphasize decentralization and participation.

Moreover, current concerns about political motives behind privatization efforts, specifically using the freed up funds for programs that boost re-election chances, can be traced to historical issues, notably the 2013-2015 water crisis. During this period, political interests exacerbated the crisis by delaying swift and effective actions, such as implementing water rationing (Empinotti et al., 2019; Santos et al., 2021).

A notable development in current WSS policy discourse in Brazil is the strategic use of populist rhetoric and post-truth tactics. These approaches appeal to the needs of the poor with potentially misleading promises about the benefits and necessity of privatization. Firstly, the opposition is being delegitimized by branding critics as being “against the poor” and guided by ulterior motives to protect the jobs of unproductive workers (Lucas Pavanato, April 24, 2024; Douglas Garcia, May 2, 2024), thereby marginalizing dissenting voices. Populist neoliberal rhetoric is being used to simplify the issue, framing privatization as a necessary step to protect the public from an inefficient government, while proposing monitoring and enforcement of contract terms (Sidney Cruz, April 24, 2024), downplaying risks and concerns for market failures.

At the same time, social measures and price controls which would hurt SABESP’s profitability are being quietly suspended (da Silva et al., 2024). Additionally, to minimize public awareness of the potential downsides of privatization, there has been a neglect in publishing comprehensive impact studies (da Silva et al., 2024). These covert tactics exacerbate concerns about regulatory capture and the ability of regulatory agencies to effectively oversee private operators, especially in light of past instances of revolving doors between SABESP and the regulatory agency, ANA.

Social Concerns

The greatest concern related to social inequality in privatization debates centers on geographic disparities in WSS accessibility, disproportionately affecting vulnerable populations in less profitable rural or peripheral communities. Critics argued that privatization could negatively affect less profitable areas and undermine SABESP's current effective coverage and reinvestment into infrastructure. This concern is also rooted in the historical context of the SPMR and Brazil, which reveals a constant tension between economic interests and public interests, as affluent areas and commercial interests were often prioritized over less profitable rural and low-income areas (Bermann & Hermsdorff, 2024; Empinotti et al., 2019; de Freitas, 2021; de Oliveira, 2018; Silva et al., 2023). While policy reforms for facilitating privatization have aimed at improving efficiency and universal access, they have often fallen short in ensuring equitable service provision across diverse regions (Instituto Trata Brasil, 2024; Oliveira & Silva, 2021). The fear expressed in public debates is that further privatization might exacerbate these disparities by enhancing profit-driven motives, leading to cost-cutting in infrastructure maintenance and expansion, particularly in less profitable areas.

Economic Concerns

Economic concerns in public debates mainly focused on potential tariff increases post-privatization, which would disproportionately affect low-income individuals. Opponents argue that privatization could exacerbate issues inherent in a monopoly, such as lack of competition leading to higher costs and degraded service quality. These economic fears for increased tariffs were frequently substantiated in public debates by citing examples of past privatization, such as São Paulo Funeral Services and Enel.

Environmental and Health Concerns

The potential of prioritizing profits over public interests also spilled over into environmental and health concerns. Opponents feared that privatization might exacerbate pollution and public health issues, highlighting issues with inadequate sanitation in informal settlements and arguing that privatization might lead to reduced environmental standards and ineffective pollution control. These fears were also often supported by citing historical examples of post-privatization pollution from the UK and EMAE. Opponents furthermore feared that privatization may shift SABESP's focus further towards seeking profit and away from protecting public interests, potentially leading to mismanagement of future water crises and climate challenges. This fear

can also be traced to the 2013-2015 water crisis, where profit motives led SABESP to prioritize expanding water connection over finding alternative water sources and maintaining aging water pipes, exacerbating the water scarcity due to leakage and reduced pressure in peripheral areas (de Oliveira, 2018; Santos et al., 2021). Perhaps somewhat contradictingly, opponents praised SABESP's handling of the water crisis, arguing that a fully privatized SABESP would have likely performed worse due to stronger profit motives.

Technical Concerns

Technical concerns regarding SABESP privatization focused on the potential decline in service quality and reliability due to profit-driven cost-cutting. Opponents again referenced past privatizations, such as those of CEDAE in Rio de Janeiro and Enel, which led to worsened service quality, increased interruptions, and increased complaints, with similar fears for SABESP. They also accuse politicians of deliberately undermining public services to garner support for privatization. Proponents, however, believe privatization will enhance service quality through increased investment and efficiency. Concerns were also raised about regulatory capture, with doubts about the ability of regulatory agencies to effectively oversee and enforce service quality standards for private operators. Lastly, opponents feared that privatization would lead to layoffs, and a subsequent reduction in service quality.

Proponents of privatization largely recycled arguments from the neoliberal reforms of the 1990s, emphasizing the need to combat corruption and state inefficiencies (Bermann & Hermsdorff, 2024). They claim that privatization would bring improved efficiency, increased investment, and better service delivery, facilitated by private sector incentives and management practices. Proponents claim public management of SABESP is inefficient and has failed to resolve significant issues, including pollution and inadequate service. They argue that privatization could lead to improved efficiency, increased investment, and better service, with measures in place to manage tariffs and maintain social tariffs for vulnerable populations. Despite concerns about regulatory capture of opponents, proponents believe that with additional regulatory frameworks, privatization can enhance service delivery without compromising public welfare.

6.2. Relating Empirics to Theory and other Case Studies

The second sub-question investigates how SABESP's privatization exemplifies and broadens our understanding of the evolving nature of neoliberalisation in Brazil and beyond?

This section begins by relating political concerns surrounding the SABESP's privatization to relevant literature on neoliberalism, followed by an examination of the tension between economic incentives and the public interest. It concludes by discussing how neoliberalism in the context of SABESP constitutes a strategic reconfiguration of the state to promote privatization and maintain centralized power, often through active state involvement that legitimizes market dominance, undermines democratic processes, and prioritizes corporate interests over public needs.

The Politics of Privatizing SABESP

It is noteworthy that current debates about SABESP's privatization focus so heavily on political concerns revolving around undemocratic processes, ideology, accountability, and transparency (see Figure 3). Zwarteveen and Boelens (2014) argues that recognizing water's political significance is crucial for understanding how water access inequalities and political participation are interconnected. This comprehensive approach of political ecology helps to reveal and challenge power structures in WSS and environmental governance that perpetuate socio-environmental disparities (Forsyth, 2003; Robbins, 2011).

Recent research (de Oliveira, 2018; Empinotti et al., 2019; Bermann & Hermsdorff, 2024) demonstrates that most current political concerns are neither new nor unfounded in Brazil. Despite the existence of a formal governance framework intended to facilitate inclusive and participatory processes, including basin committees, in practice the influence of civil society and low-income groups in WSS governance remains limited. Lacking accountability, social control, and meaningful public participation in these governance arrangements have perpetuated existing inequalities in WSS access, as marginalized groups are frequently excluded from meaningful decision-making (de Oliveira, 2018). Diminishing public participation in policy formation can further specific agendas that benefit certain interests by creating unequal power relations (Forsyth, 2003; Robbins, 2011).

Neoliberalism, Privatization, and the Erosion of Democratic Processes

The privatization of SABESP exemplifies a broader trend of neoliberal policies being at times enforced through authoritarian and exclusionary tactics to suppress public dissent (Coates & Sandroni, 2023; Deutsch, 2021; Peck & Theodore, 2019; Scott, 2015). Similar WSS privatizations in cities across the Global South have employed similar coercive and covert strategies, including withholding or obscuring information, and delegitimizing or intimidating

opponents (Scott, 2015). These tactics are designed to circumvent democratic processes and weaken checks and balances (Coates & Sandroni, 2023), undermining essential democratic principles such as public participation, political compromise, and consensus-building (Peck & Theodore, 2019).

Exclusionary tactics were evident in the political process surrounding the state and municipal laws surrounding SABESP's privatization. The State Law was criticized for being hasty without justifying the urgency, providing insufficient legislative discussion, a chaotic voting session with disproportionate police intervention on protesters, and failing to provide necessary impact studies (Pinheiro, 2024). The Municipal law was also legally challenged for violating the principle of social participation by scheduling votes before public hearings concluded, lacking financial impact assessments, and presenting amendments last-minute (Pinheiro, 2024). Only one public hearing was planned before the City Council vote, which was announced last-minute. Seven public hearings were planned, but proponents proceeded with the legislation before completing the remaining six, undermining social participation and failing to provide adequate time for council members and society to thoroughly consider the project. As a result, the Public Defender's Office recommended that the judge annul the City Council's first vote on the privatization of SABESP due to violations of democratic rights. The court ordered the suspension of the bill's vote until all public hearings were completed and financial impact estimates provided (Pinheiro, 2024).

Opponents argued that this exclusionary and undemocratic tactic was an attempt to avoid holding multiple meaningful public hearings in various decentralized locations, which would have allowed for more inclusiveness and participation in decision-making. Proponents justified this hasty and exclusionary approach by appealing to efficiency and moral imperatives, such as fiscal responsibility and promises of universal access and improved services (Paulo Cogos, May 2, 2024; Sidney Cruz, April 24, 2024).

Similar dynamics were observed during the 2013-2015 water crisis in the SPMR, when the state government and SABESP exerted centralized control to protect SABESP's revenue stream, which also benefited the state government through its majority shareholding (Empinotti et al., 2019; Santos et al., 2018). This centralized approach perpetuated existing power dynamics and favored revenue generation over equitable water distribution. Such a centralized approach often sidelines participatory and decentralized water governance models, which are typically seen as more democratic and responsive to local needs (Empinotti et al., 2019; Santos et al., 2018).

Post-Truth Politics

Interviewees (ONDAS, July 12, 2024; Researcher 2, August 8, 2024) suggested that policymakers went beyond exclusionary and undemocratic tactics by actively misleading the public and creating public discontent with SABESP to justify its privatization. Post-truth tactics are firstly evident in the highly polarized debates driven by ideological beliefs rather than objective consideration of potential financial and socio-environmental impacts of privatization, as no comprehensive impact assessments were made public before the municipal vote (Pinheiro, 2024).

Opponents argue that promises of improved service delivery are misleading because SABESP is already progressing toward universalization targets, and they accuse mainstream media of falsely equating SABESP's performance with the generally poor state of WSS services in the rest of Brazil. An interviewee alleged policymakers of withholding funding and suspending particular measures to deliberately worsen service provisioning, creating public dissatisfaction with SABESP which would help justify its privatization (ONDAS, July 12, 2024). An interviewee noted that media fear tactics about water scarcity were used to justify previous privatization laws, with such news significantly decreasing after the laws were approved (Researcher 2, August 8, 2024). However, these allegations in the case of SABESP could not be independently verified. There is research, however, that points out how media narratives and coverage were historically used to support neoliberal agendas, including for dismantling social policies and affirmative action laws, as well as relaxing environmental protection laws (Milhorance, 2022; Saad-Filho, 2020).

According to Swyngedouw (2019), “neoliberal governance arrangements pioneered post-truth autocratic politics”. This style of neoliberalism also spread to Brazil. Coates and Sandroni (2023) analyze the rise of post-truth politics in Brazil, particularly during Bolsonaro’s administration, where strategic use of misinformation and denial of scientific facts served to promote political agendas that support unmitigated extractive capitalist growth.

Similar post-truth tactics seem to be used to manufacture public dissatisfaction with SABESP’s current performance to justify its privatization by blaming SABESP’s current public management for lacking sanitation and public health risks, particularly affecting the poor (see Chapters 5.2, page 53). This is then leveraged to delegitimize opponents of privatization as “being against the poor” (Douglas Garcia, May 2, 2024). Right-wing proponents of privatization, appealing to the created dissatisfaction, claim to represent the needs of the poor with promises of better services

and lower tariffs (see Chapters 5.2, page 53, and 5.3, page 56). The public dissatisfaction with SABESP's current performance is then being used to justify hasty policy decisions bypassing democratic norms and checks and balances, evident in the attempts to circumvent public participation and forego impacts studies (See Chapters 4.7, 4.8, and 5.1).

The appeal to disaffected populations to justify undemocratic policy processes and hasty decisions can be interpreted as authoritarian populism, which is a political strategy of centralized control gaining popular support through populist rhetoric (S. Hall 1979; Scoones et al. 2018; McCarthy 2019; as cited in Coates & Sandroni, 2023). This approach bypasses traditional democratic institutions and processes, while eroding democratic norms and civil liberties as ruling authoritarian leaders consolidate power and suppress dissent by delegitimizing public participation and demobilizing popular movements and public sectors. This pattern is not unique to SABESP, as Scott (2015) observed that water privatizations in diverse cities in the Global South, including Cochabamba, Manila, and New Delhi, were similarly enforced using coercive tactics and justified by appealing to fears of water scarcity and dissatisfaction with access disparities.

Populist Paradox: Right-wing Appeals to Vulnerable Communities

Moretti, Olivera, & Wolff (2023) note that, despite extreme right-wing ideologies favoring exclusive benefits for those who can afford them, there is significant support for this ideology of individual responsibility among the poorest and most vulnerable communities in the SPMR. The support for meritocracy and entrepreneurship in poor peripheral areas, according to Moretti et al. (2023), stems from a belief in individual salvation over collective solutions, akin to seeking a lifeboat when the ship seems doomed. Interviewees (ONDAS, July 12, 2024; Researcher 1, July 22, 2024) pointed to social and economic factors in peripheral areas, including the influence of militias, evangelical churches and the lacking education system, which make these populations susceptible to simplistic neoliberal promises. Ongoing violence in vulnerable and poorer areas in São Paulo also plays a significant role in the support for right-wing ideologies among these communities. Mello (2021) explains that right-wing populist rhetoric of being tough-on-crime and promising to restore law and order, strongly appeals to poorer and more vulnerable populations in São Paulo, as it offers a sense of immediate action and protection that is often lacking in their daily lives.

Evangelizing Neoliberalism

An interviewee (July 22, 2024) explained that evangelical churches play a significant role in promoting ideologies of individual responsibility and neoliberalism, including privatization, in peripheral urban areas. The interviewee furthermore noted that many leaders of evangelical churches have been involved in supporting right-wing, conservative, and neoliberal political candidates. This support is politically leveraged to gain backing for privatization and other market-driven policies, which ultimately may not deliver the promised benefits to the most vulnerable populations.

Pentecostal churches, offering mutual support, social services, and emotional support, crucial amidst economic uncertainty, began to thrive and proliferate in Latin America during the neoliberal reforms of the late 1970s and 1980s (Aguirre, 2021). The thesis “Evangelizing Neoliberalism through Megachurches in Latin America” examines how Pentecostal megachurches and neoliberal ideology have mutually reinforced each other (Collazo, 2018). This is because neoliberal crises and disruptions drive individuals towards religious communities, while Pentecostalism legitimizes and aligns with neoliberal economic practices.

Pentecostal churches’ emphasis on personal responsibility, entrepreneurship, and self-reliance resonates well with neoliberal values (Aguirre, 2021). They frequently preach Prosperity Theology, which encourages believers to view material success as a sign of divine favor, aligning with neoliberal ideals of individual achievement (Aguirre, 2021). Affluent Pentecostal leaders have adapted to the rise of authoritarian regimes in Latin America, such as the Pinochet regime in Chile, by aligning themselves with neoliberal policies and propagating right-wing politics and neoliberalism (Collazo, 2018). Pentecostal leaders are particularly effective in exerting political influence as they actively seek to transform society by occupying political spaces to support conservative and neoliberal policy (Aguirre, 2021).

Regulatory Capture of Roll-out Neoliberalism

Political proponents of privatization (Paulo Cogós, May 2, 2024; Sidney Cruz, April 24, 2024) recognize the government's regulatory role and promise regulation and monitoring to ensure contracts are honored, order is maintained, and services do not deteriorate, even promising to create a new regulatory agency (see Chapter 5.5, page 61). This mirrors the approach of roll-out neoliberalism involving actively creating new technocratic economic policies, regulations and institutions to support neoliberal economic management, including privatization, to prevent market failures and uphold the legitimacy of the neoliberal project (Peck & Tickell, 2017).

These newly created policies and institutions could reduce SABESP's privatization profitability by imposing tariff limits and requiring infrastructural investments in unprofitable areas. Instead of overtly dismantling policies, as seen in Bolsonaro's approach to environmental policies that became untenable due to reduced neoextractivist returns (Coates & Sandroni, 2023; Niederle et al., 2023), critics of SABESP's privatization fear a more covert strategy of reducing the effectiveness of protections through regulatory capture (ONDAS, July 12, 2024; Researcher 1, July 22, 2024). These interviewees alleged relevant authorities of suspending measures like separating sewage fees and expanding the social tariff to make SABESP's privatization more attractive, exemplifying regulatory capture, while noting that regulatory agency members often aspire to directorships in the companies they regulate.

Scholars have also alleged private capital ownership of SABESP to drive regulatory capture (da Silva, Pollachi, & Moretti; 2024; Rufino & Cavalcante, 2024). Rufino and Cavalcante (2024) base this on abnormal tariff changes leading to higher returns for private interests. Da Silva et al. (2024), moreover, discuss the potential regulatory capture of the ARSESP, which regulates and monitors the provision of WSS services in 343 of the 375 municipalities operated by SABESP. They argue that the ARSESP's decisions tend to favor state government interests because its directors are appointed by the state government, which is also the majority shareholder of SABESP. In 2021, the ARSESP suspended a plan that would grant social tariffs to around 3 million people, without any justification, causing significant social harm, but increasing the profitability of SABESP in anticipation of the plan of the state government to privatize SABESP (da Silva et al., 2024). Da Silva et al. (2024), moreover, note that policymakers consider opting for independent auditors paid by the private concessionaires they oversee, weakening public regulatory agencies' roles and potentially causing conflicts of interest. Even in countries with a long history of privatization, like the UK, regulatory agencies have struggled to control private companies effectively, resulting in environmental pollution and failures in service delivery (Montenegro, 2024; as cited in Da Silva et al., 2024).

These political concerns spill over in other concerns, as past and ongoing exclusion of vulnerable populations from governance processes fuels concerns that privatization and lack of effective governmental oversight and social control will exacerbate existing socio-environmental inequities and prioritize profit over equitable service distribution.

Profit over People and Planet?

A common concern in historical and current debates is that privatization will exacerbate the prioritization of profitable areas over less economically attractive regions, leaving marginalized communities underserved structural inequalities. Other research in Minas Gerais similarly found that plans to universalize WSS services through privatization faced resistance from civil society who feared these initiatives could undermine the human right to WSS, particularly for vulnerable populations in rural and low-income urban areas (Neves-Silva et al., 2023). This concern is shared by many scholars (Bermann & Hermsdorff, 2024; De Oliveira, 2018; Neves-Silva et al., 2023). Bermann and Hermsdorff (2024), for instance, found that private companies were less effective at expanding WSS coverage to vulnerable populations in Brazil, exacerbating socio-environmental inequalities. De Oliveira (2018), similarly, found that in Brazil market-based solutions and privatization of WSS services have failed to address the significant disparities in sanitation access between wealthier regions or neighborhoods and poorer ones, due to profit motives overriding public needs. Vargas and Heller (2016) found that WSS privatization in developing countries can lead to increased prices, which disproportionately affect lower-income households, especially if illegal water connections are ended. The Brazilian experience in WSS privatization thus reflects a broader pattern of tensions between profit motives and public needs, viewing water either as an economic good or as a human right (Bakker, 2003; Neves-Silva et al., 2023; Silva et al., 2023).

The profit-driven motives of private companies often result in inadequate sanitation services in underserved regions, which can exacerbate environmental pollution and compromise public health, thereby perpetuating socio-environmental inequalities (Bakker, 2007; Bermann & Hermsdorff, 2024; Lobina, 2007). Lobina (2007) highlights that previous water sector privatizations in Latin America have contributed to increased pollution, largely due to profit motives driving underinvestment in infrastructure and poor maintenance. Similarly, Bakker (2007) argues that the commodification of water in the Global South under neoliberal policies frequently undermines regulatory frameworks, leading to insufficient pollution control as market-driven approaches overshadow environmental protection.

Proponents have promised that privatization will help to expand WSS coverage and to invest the freed-up funds in social housing and to regularize informal communities around reservoirs to expand sanitation services and reduce water pollution (Rubinho Nunes; Sidney Cruz, May 2, 2024). However, policymakers also noted some informal settlements will have to be relocated (Sidney Cruz, May 2, 2024), raising other concerns about potential evictions.

The socio-environmental concerns surrounding SABESP's privatization suggest that the proposed plans may fall short in addressing systemic issues that lie at the heart of key vulnerabilities to health risks from inadequate access to WSS services in marginalized communities. These vulnerabilities stem from inequitable urban planning, rapid urbanization, lack of local investments, infrastructural inequalities, and lack of local financial resources to cope with water crises (Millington, 2018; Santos et al., 2018). Concerns thus persist that privatization will not actually address these underlying issues but instead prioritize economic efficiencies while neglecting the needs of the most vulnerable populations.

Conflicts of Interests

Scholars have historically criticized the mixed-capital structure of SABESP for creating conflicts of interests, as state actors benefitted from a higher profitability from SABESP to fund programs that would increase their chances of reelection (Empinotti et al., 2019; Bermann & Hermsdorff, 2024). In theory, full privatization would reduce this concern for conflicts of interest, yet concerns about conflicts of interests and the state's ulterior motives for privatization persist. This is largely because the state stands to gain financially from the privatization and high stock valuation of SABESP by earning revenue from the sale. The state will also still gain, albeit a smaller, share of the dividends by retaining a portion of the shares. Thus, despite the decision to reduce its majority stake, the state government faces criticism for prioritizing SABESP's profitability to increase its sale value, thereby boosting state revenues for funding programs that could improve their reelection prospects (ONDAS, July 12, 2024; Researcher 1, July 22, 2024; Da Silva et al., 2024). This prioritization includes suspending measures that could negatively impact profitability, thereby making SABESP more appealing to potential buyers. This highlights a broader trend of how neoliberal policies tend to favor business interests, especially large corporations, at the expense of broader social welfare (Crouch, 2013; Deutsch, 2021; Hathaway, 2020; Niederle et al., 2023).

In the case of Rio de Janeiro, Reis et al. (2023) found that the primary beneficiaries of the private concession of CEDAE appear to be state actors (by boosting public revenues), the BNDES (by generating interest income), and the investors involved (by generating return on investments), rather than the most vulnerable segments of society (Reis et al., 2023). Privatization policies are often shaped to benefit political elites and private investors at the expense of marginalized communities, exacerbating socio-environmental inequalities (David and Hughes, 2024; Peralta et al., 2015; Sovacool, 2018).

State-Funded Privatizations

Proponents try to spin privatization as an effort to reduce government spending and redundant employment and increase private investments (Arlindo Armario; Lucas Pavanato, April 24, 2024; Douglas Garcia; Paulo Cogos, May 2, 2024), echoing pro-neoliberal reform arguments that have been recycled since the Cardoso era (Bermann & Hermsdorff, 2024). Yet, many privatizations and PPPs in Brazil are being partially funded by the BNDES, including in the case of SABESP (Werner & Hirt, 2021). In 2021, the BNDES reported managing a portfolio of approximately R\$260 billion (about \$49 billion USD) in privatizations, PPPs, and infrastructure concessions (BNDES, 2021). In the case of the private concessions of CEDAE in Rio de Janeiro, the BNDES will finance around R\$17 billion (about \$3 billion USD) of the total amount (30%) that the winning bidders will have to invest in ensuring universal access to WSS in the municipalities up to 2033 (Reis et al., 2023). In this regard, the state-funded and supported privatizations of SABESP, CEDAE, and other public service companies can be viewed as an example of roll-out neoliberalism, where the state actively facilitates the expansion of market mechanisms into various aspects of society.

Neoliberalism's Evolving State Role

The case of SABESP shows how neoliberalism can constitute a strategic reconfiguration of state roles to advance neoliberal agendas and maintain central power. Rather than minimizing state intervention, SABESP's privatization is in line with roll-out neoliberalism, relying on active state involvement to implement and legitimize market dominance and sustain neoliberal logic (Peck & Tickell, 2017). This state involvement sometimes even involves coercive and covert tactics through, for instance, evading public participation and suspending unprofitable measures through regulatory capture. A relatively novel development is the use of post-truth and populist tactics to manufacture public dissatisfaction with SABESP's performance by blaming its public management for poor sanitation and health risks, particularly affecting the poor. This dissatisfaction is then leveraged to delegitimize opponents and justify hasty policy decisions bypassing democratic norms.

The persistence of prioritization of profitability over public needs highlights a critical contradiction within neoliberalism: the notion that market efficiency inherently benefits society (Harvey, 2005). This aligns with critiques of neoliberalism that argue it often leads to a corporatocracy, where state policies increasingly align with corporate interests, undermining democratic processes and social equity (Crouch, 2013; Hathaway, 2020). The persistence of

centralized control and neoliberal influences in WSS management, even after reforms aiming to decentralize and democratize governance, illustrates institutional inertia and neoliberal resilience (Santos, 2021), requiring transformative pathways for (re)democratization of state regulation through the genuine empowerment and active participation of civil society.

6.3. Policy Recommendations

This section draws upon relevant insight from recent research to provide recommendations for water companies, authorities, and stakeholders. These recommendations address the socio-environmental concerns discussed in current public debates about the privatization of SABESP. The first subsection proposes additional governance measures and approaches that would complement current privatization plans by enhancing equitable access, quality, and affordability of WSS services, social control, public participation in policy-making, regulatory integrity, accountability, and transparency, and balancing both public and private interests. The second subsection provides alternative approaches to substitute current privatization plans.

Complementary Measures to Privatization

There is a significant risk that government authorities may need to retake control if a private monopoly fails to meet public obligations, such as when water quality deteriorates or prices rise excessively. This risk stems from the inherent conflict between the profit-driven goals of private companies and the public need for universal access to essential sanitation services (Bermann & Hermsdorff, 2024; Clark & Mondello, 2002; De Oliveira, 2018). To mitigate this risk and address concerns raised in current debates about privatization, complementary measures and governance approaches should be considered alongside privatization plans. These measures aim to ensure that the purported benefits of privatization, such as universal service provision and improved service quality, are felt by the entire population. Importantly, many of these measures should be pursued regardless of whether services are managed by public or private entities, as they are essential for effective governance, institutional trust, and public service satisfaction.

Integrated, Cross-Sectoral, and Cross-Regional Approach

Scholars investigating WSS governance in Brazil have called for an integrated and cross-sectoral approach to create comprehensive solutions for universal WSS access, recognizing that WSS is deeply interconnected with other sectors (Lazaro, 2023; Narzetti &

Marques, 2021; Santos et al., 2021). Comprehensive WSS governance requires coordination across sectors such as housing, land tenure, energy, agriculture, urban planning, and public health. In addition, cross-regional cooperation is necessary to align diverse municipal interests, integrate various service providers, and unify service standards across diverse regions (Gesualdo et al., 2021). This would address current limitations of the New Framework for Basic Sanitation in ensuring consistent quality and equitable access to WSS services, regardless of local social, economic, and political disparities (Instituto Trata Brasil, 2024; Oliveira & Silva, 2021).

In addition, to address the potential for privatization to disproportionately affect vulnerable populations, it is necessary for integrated WSS management policies to consider socio-environmental vulnerabilities and promote equitable resource distribution (Millington, 2018; Narzetti & Marques, 2021; Santos et al., 2021). This includes rectifying environmental injustices where certain communities bear a disproportionate burden of environmental harms by cleaning up polluted areas in low-income neighborhoods and ensuring these communities have a say in environmental decisions affecting them.

Lastly, this integrated approach also requires coordinating land-use patterns with water management to consider appropriate strategies with regards to climate variability, land occupation, and reforestation in the Cantareira watershed (de Freitas, 2020; Gesualdo et al., 2021; Santos et al., 2021).

Reforestation Watersheds and Restoring Natural Infrastructure

A report by the World Resources Institute (Ozmen et al., 2018) recommends integrating natural infrastructure, particularly forest restoration, into São Paulo's water management strategies to improve water quality and resilience. It emphasizes the need for targeted reforestation in priority areas to reduce sediment pollution, which would lower water treatment and dredging costs, resulting in significant financial savings. Additionally, the report suggests securing diverse funding sources and improving coordination among stakeholders to ensure the long-term sustainability of water supply systems like the Cantareira. Yet, reforestation strategies need to prioritize planting native species, as water scarcity is aggravated not only by the deforestation of deep-rooted native forests but also by afforestation with water-intensive species such as eucalyptus (Bermann & Hermsdorff, 2024; Jacobi, 2004; de Freitas, 2021; Santana et al., 2023).

Participatory Processes in Governance

Scholars stress the importance of more meaningful and inclusive public participation, particularly from vulnerable communities, for ensuring effective and equitable WSS management which responds to the needs low-income households (da Silva et al., 2024; De Oliveira, 2018; Empinotti et al., 2019; Gesualdo et al., 2021; Hylton & Charles, 2018; Lazaro et al., 2023; Zwarteveen and Boelens, 2014). According to Zwarteveen and Boelens (2014), this requires co-creating policy responses through a participatory process that involves the voices and experiences of those who are affected by existing water issues together with researchers and policymakers. This is because policymakers alone cannot be assumed to fully grasp or address the complexities and nuances of water issues experienced by local communities (Zwarteveen and Boelens, 2014).

Scholars recommend reducing power imbalances in WSS governance and promote inclusive, participatory models over centralized, technocratic approaches (Empinotti et al., 2019; Lazaro et al., 2023; Zwarteveen and Boelens, 2014). A more equitable representation of interests in policy-making can also help to ensure that profit-driven motives do not overrule public interests for safe and secure water access for all urban residents (de Oliveira, 2018).

While there already exist governance frameworks in Brazil, such as basin committees, that aim to empower marginalized groups in WSS policy, the inclusion of such groups has remained largely formalistic with true decision-making power remaining concentrated in political elites (de Oliveira, 2018). Zwarteveen and Boelens (2014) argue that equitable water distribution and management cannot be guaranteed solely through well-intentioned philosophies or legal frameworks, as it cannot be assumed to be simply imposed or granted from above by those in positions of power.

Alternatively, grassroots efforts led by local actors have historically driven institutional innovations aimed at fostering more equitable and inclusive governance. Hylton and Charles (2018) highlight how political activism and community-led legal actions effectively promoted the regularization of water services in the São Paulo Metropolitan Region (SPMR). However, these bottom-up initiatives also posed risks, such as the potential for evictions in informal settlements (Charles, 2018). Similarly, in Colombia, community groups have come together to form a national movement, strengthening their collective voice to gain political recognition and support. This movement is actively pushing for legislative measures to protect community-managed aqueducts against privatization and environmental harm (Moretti et al., 2023). Lastly, Narzetti

and Marques (2021) recommend the participation of regulatory agencies in all stages of policy development to ensure that regulations consider the unique challenges faced by informal settlements and rural areas.

Transparent and Accessible Dissemination of Public Service Information

In addition to enhancing participatory processes, it is essential to empower civil society stakeholders to exert social control through transparency and the dissemination of relevant information. Da Silva et al. (2024) note the necessity of establishing effective forms of communication that break with the asymmetry of knowledge, through a language accessible to all users of WSS services in the SPMR. To protect public interests, regulatory agencies must engage with society, ensuring social control and transparency by promoting citizens' rights and disseminating information about public service quality through heavy use of media (da Silva et al., 2024). This approach would also address concerns raised in public debates regarding the potential manipulation of voters through misleading media or political narratives.

Governmental Oversight and Regulation

Privatization carries risks of exacerbated social disparities in WSS quality, coverage, and reliability, as seen in various instances where corporate interests overshadowed public ones (Bermann & Hermsdorff, 2024; da Silva and Fracalanza, 2022; Narzetti & Marques, 2021). Scholars therefore advocate for expanding state supervision through stringent regulatory frameworks and oversight to ensure that private partners meet their obligations, such as improving the services and meeting universalization goals (Bermann & Hermsdorff, 2024; De Oliveira, 2018; Hylton & Charles, 2018; Narzetti & Marques, 2021). Additionally, effective governmental oversight is necessary to protect public interests by ensuring that privatization does not lead to exploitation and that water distribution remains equitable (Bermann & Hermsdorff, 2024; De Oliveira, 2018; Hylton & Charles, 2018; Narzetti & Marques, 2021). Expanding governmental regulation, monitoring, and enforcement in WSS requires increased regulatory capacity.

Increase Regulatory Capacity

To increase regulatory capacity, it is essential to create a regulatory culture based on independence and integrity (OECD, 2014). It is important that regulators have autonomy and are equipped with adequate resources, as this enables decisions to be made based on technical criteria rather than political pressures (OECD, 2014). Supporting transparency and

accountability mechanisms, such as public reporting and independent audits, are critical for building trust, ensuring regulatory integrity, and enhancing the legitimacy of these agencies (OECD, 2014).

Ensuring the independence of regulators from political and commercial influences is crucial, particularly as scholars warn that privatization efforts relying on global financialization dynamics will likely lead to intensified political debates and conflicts over regulating private companies (Aguirre et al., 2006; Warner, 2021). As private investors increasingly seek favorable regulatory conditions, there is a rising risk of regulatory capture through lobbying efforts (Warner, 2021). Strengthening regulatory capacity and integrity is vital to address concerns about the potential capture of agencies like those monitoring SABESP, which is of growing concern in public and academic discourse (da Silva et al., 2024; Rufino & Cavalcante, 2024). Lastly, in a globalized environment, transgovernmental cooperation is essential to prevent the risk of a "race to the bottom," where countries may adopt overly permissive regulations to attract private investments (Braithwaite & Drahos, 2000). Braithwaite and Drahos (2000) argue that this “depends on the determination of individuals to engage with powerful agendas and decision-making bodies that would otherwise be dominated by concentrated economic interests”, alluding to the role of civil society groups that lobby for public interests.

Price Caps, Free Basic Water, and Social Tariffs

Clark & Mondello (2002) explain how price caps can be designed for natural monopolies like water utilities to balance the interests of both the municipality and the monopolist by incorporating the costs of risks, such as environmental or public health liabilities, which could otherwise fall back on the municipality. Setting aside some funds is necessary for the eventuality that municipalities has to step in or retake control of WSS services to protect public interests. In this way, setting price caps can simultaneously protect consumers against overcharging, provide the municipality with a financial safeguard in case they need to resume control of water management, and ensure the economic viability of private companies (Clark & Mondello, 2002).

In addition, providing a minimum amount of free basic water (FBW) or providing subsidies for low-income households in the form of social tariffs can ensure that the poorest populations have their basic water needs met. FBW could be implemented progressively, beginning in the most vulnerable low-income areas where water access is currently too costly for local residents, addressing the most acute needs. This could then be expanded to other regions if pilot

programs in informal communities prove successful. Yet, a necessary prerequisite for providing FBW is to first establish reliable access to piped water in currently underserved areas.

Enhancing and Expanding WSS Infrastructure

To improve overall water security, it is recommended that the government and SABESP allocate resources to repair, rebuild, and expand WSS infrastructure. Although current privatization plans aim to achieve these goals, strong commitments are needed to ensure their fruition. The SPMR's aging and inefficient water infrastructure currently results in significant water losses, estimated at 30% of total water produced (Millington, 2018)). It is also prudent that, as long as no new water connections are made in informal communities, SABESP should be forbidden to disconnect illegal water connections in these areas. The disconnection of illegal water connections is a very relevant concern in the context of WSS privatization in developing countries (Vargas & Heller, 2016). This does not apply to illegal sewage pipes connected to rainwater networks, which should be disconnected to protect against water pollution (Moretti & Silva, 2024).

Continuous Monitoring and Policy Adjustment

The success of WSS privatization in developing countries requires continuous strong governmental regulatory oversight with attention to social impacts and careful adaptation to (changing) local conditions (Vargas & Heller, 2016). Privatization plans should therefore be continuously monitored and adjusted in light of current performance indicators, particularly WSS access, affordability, and quality in vulnerable areas. Beyond these traditional performance indicators, the legitimacy of privatization plans should also be continuously monitored looking at long term sustainability, policy inclusion, public satisfaction, transparency, and accountability. In light of this, policies should be adjusted by aligning the policy with the attitudes of stakeholders and the public, allowing sufficient time for its development, discussion, and refinement, and engaging stakeholders meaningfully throughout the process (Wallner, 2008). Additionally, the governance structure of basin committees should be continuously evaluated and improved to enhance their effectiveness, inclusiveness, and adaptability to emerging water resource challenges, particularly in the context of climate change (Larazo et al., 2023). Continuous monitoring of contract performance and enforcing compliance with contract terms is crucial, though it can make WSS privatization costly for the government, especially if private companies fail to meet public obligations, requiring the government to step in and retake control (Vargas & Heller, 2016).

Alternatives to Privatization

The privatization of WSS services has been met with significant criticism from scholars who argue that it can exacerbate social inequalities and undermine the fundamental human right to water (Bakker, 2003; Bermann & Hermsdorff, 2024; Peres et al., 2004; da Silva and Fracalanza, 2022). This section considers some alternatives to privatization which aim at enhancing public control and community participation.

Public Ownership and Management

The privatization of SABESP goes against the worldwide trend where cities, regions and countries are retaking ownership and control over WSS (Lobina, 2017; McDonald, 2018; Reis et al., 2023; Turri, 2022). France and the US, are notable examples, but remunicipalisation is truly a global phenomenon (McDonald, 2018). This is largely a response to unmet promises of private operators and their failure to put the needs of communities before profit (Lobina, 2017). This is especially true in developing countries, where private companies' unrealistic promises of infrastructural improvement and coverage expansion were often not delivered (Bond, 2010). This trend contradicts the expectation of neoliberal policy makers and international financial institutions that private companies would be more effective than state-led companies (Bond, 2010; Lobina, 2017). Evidence is mounting that public WSS management holds more promise for improved quality, affordability, and access to WSS for the entire population (Lobina, 2017; Warner, 2021), especially since WSS privatization tends to leads to increased prices, reduced service quality and neglect of unprofitable areas (Empinotti et al., 2019; Lazaro et al., 2023; Ioris, 2007; Reis et al., 2023; da Silva and Fracalanza, 2022; Warner, 2021).

Right-wing government officials and private sector representatives in Brazil tend to support WSS privatization (Neves-Silva et al., 2023; Reis et al, 2023). This might be because many Brazilian municipalities not opting to privatize WSS services, like Angra dos Reis, face many challenges, such as lacking financial means, deteriorating infrastructure with high rates of water loss, difficulty collecting fees, and difficulty in expanding and universalizing WSS services (Gomes et al., 2021). This makes it difficult for municipalities with limited financial and technical capacity to meet the requirements of the new Legal Framework for Basic Sanitation. This context helps explain why some state actors in Brazil might favor privatization for struggling utilities. However, the case for privatization is less compelling for SABESP, a profitable mixed-capital company with a strong technological and financial capacity and relatively good track record of expanding WSS to informal communities (de Paula, da Silva, & Lozano, 2012; Guimarães et al, 2016).

Transcending Public vs. Private Debates

It is important to caution against a simplistic public vs. private management debate and instead focus on how public services are managed, recognizing neoliberal influences and centralized control can persist in WSS management, even under public ownership (Santos, 2021). This can be attributed to institutional inertia or neoliberal persistence (Santos, 2021), similar to how the new framework for basic sanitation and basin committees mentioned community participation formally but excluded it in practice (Empinotti et al., 2019; Freitas, 2015; Jacobi, 2004; de Oliveira, 2018), which was explored in Chapter 4.3.

Uruguay's transition from privatized to public water management shows that shifting to public ownership alone is insufficient to address deeper issues in WSS management (Santos, 2021). This is because key social demands, such as transparency, public participation, and sustainability, were not fully realized in public water management there due to the persistence of centralized control and neoliberal practices, such as outsourcing and regressive rate structures (i.e., pricing systems where the cost of a service, like water, disproportionately affects lower-income households).

Lastly, Warner (2021) states that, regardless of the ownership model, there is a need for more regulatory policies that protect public interests and ensure that water services remain affordable, accessible, and sustainable. The potential limitations of both public and private management makes it necessary to consider the complementary measures proposed in the previous subsection, regardless of the ownership model.

Community-Managed WSS Systems

Community-managed water supply systems provide a compelling alternative to the binary debate between public and private sector models, while there are also potential pitfalls to consider (Bakker, 2008). These systems aim to create sustainable water supplies that are maintained and cared for by the users themselves, emphasizing local control, community participation, and social justice (Bakker, 2008; Whaley & Cleaver, 2017). These systems empower local residents through participation in decision-making processes, capacity building, and fostering a sense of collective responsibility (Harvey & Reed, 2007; Kyessi, 2005; Whaley & Cleaver, 2017). As a result, communities feel directly responsible for socio-environmental outcomes, which often leads to improved maintenance and operation of the facilities. This localized management approach can also help ensure that WSS services are tailored to the specific needs and preferences of the community (Whaley & Cleaver, 2017).

Yet, such community-controlled water supply systems also carry potential pitfalls, such as the need for substantial capital investment, risk of government neglect, and inequitable power relations within communities (Bakker, 2008; Whaley & Cleaver, 2017; Harvey & Reed, 2007; Hutchings et al., 2015; Kyessi, 2005). For community managed water supply systems to be sustainable and successful at scale requires significant ongoing external support, involving financial support, specialist technical assistance, participatory planning, management advice, and capacity building (Harvey and Reed, 2007; Hutchings et al., 2015). Kyessi (2005) showed how communities in Tanzania were able to attract external financial and technical support from diverse sources, including NGOs, government institutions, and international organizations. Yet, romanticizing community resourcefulness can inadvertently condone government inaction and compromise the effectiveness of community-managed systems (Bakker, 2008). Moreover, there is a concern that integrating community leaders into the government might dilute their grassroots effectiveness, similar to the post-Water War of Cochabamba in Bolivia, making it vital to preserve the autonomy of these organizations (Moretti et al., 2023).

Lastly, another significant pitfall, especially in communities with existing social hierarchies and power imbalances, is the risk of inequitable access and management within community-managed water systems (Bakker, 2008; Whaley & Cleaver, 2017). Marginalized groups may have limited influence over decision-making processes, leading to disparities in access to WSS services (Moriarty, Smits, & Butterworth, 2013). Consequently, community-managed systems can inadvertently reinforce existing social inequalities when those with more power or resources dominate decision-making to their own benefit, undermining the principles of equity and inclusivity that community management seeks to promote.

6.4. Limitations and Future Research

This section first discusses ways in which this study has paved the way for future research on advancing equitable distribution and management of WSS services. It then also considers the limitations of this study, indicating current blindspots that could be explored by future research.

Advancing Research Agendas

This study firstly showed how disparities in WSS distribution and exclusionary management practices are interlinked. It identified democratic deficits in current and historical WSS management in Brazil and the SPMR and pointed to the importance of actively involving marginalized communities in decision-making processes. It furthermore recognizes that

unsustainable practices, undemocratic processes, and regressive tariff rates, can persist regardless of ownership model and despite participatory policy reforms.

These insights allow future research to go beyond the binary public-private debate on WSS management. This could involve exploring participatory governance frameworks that empower marginalized communities by prioritizing decentralized decision-making, community participation, and socio-environmental justice. Moreover, scholars need to give more attention to regulatory policy to ensure the public interest is protected over financial returns to shareholders (Warner, 2021). Furthermore, future research should explore transformative approaches that challenge the entrenched models of centralized, technocratic control and neoliberal logic currently present in WSS management in the SPMR. To play a transformative role, collaborative strategies should proactively bridge the gap between policy and the lived experiences of marginalized communities by incorporating grassroots perspectives into action-oriented, transdisciplinary research. This involves co-creating knowledge and forming strategic alliances with disenfranchised stakeholders to effectively advocate for meaningful policy change (Augenstein et al., 2024; Dedeurwaerdere, 2024; Levidow, Pimbert, & Vanloqueren, 2014).

Methodological Limitations

One of the main methodological limitations of this study was the low sample size of interviews and data collection methods. The reliance on public hearings and a limited number of in-depth interviews may not fully capture the diversity of opinions and experiences across all stakeholders in the SPMR. The reliance on centralized hybrid public hearings, especially in a context like São Paulo, where digital access is uneven, likely resulted in an underrepresentation of low-income informal communities who do not always have access to the internet. Moreover, the political nature of the public hearings with short speaking times sometimes lead to ideologically driven shouting matches based on short one-liners without much deep argumentation provided. The actors who choose to participate in public hearings likely have a strong opinion on the subject. This might also partly explain why political concerns were more prevalent than other types of concerns during the public hearings.

The in-depth interviews were a necessary addition to data collection by providing more in-depth data, context, and nuance for particular topics. The study relied on snowball sampling for online interviews, which was a practical way of reaching knowledgeable respondents. Yet, this reliance on a network of actors led to a potential bias towards particular viewpoints and limited access to

certain key informants, including government officials, representatives from SABESP, and more marginalized voices, particularly those from informal settlements.

These factors combined likely led to an overemphasis on concerns from more vocal, better-represented groups who have a strong opinion on the matter, over more marginalized groups with lacking access to the internet. Although many participants in the public hearings claimed to represent the interests of these communities, directly engaging with the residents about their lived experiences could have significantly enriched the depth and nuance of this research. Including the voices of favela residents would have also been valuable in potentially providing additional explanations for the finding of Moretti et al. (2023), who argued that there exists considerable support in low-income areas for right-wing politicians favoring privatization.

Several strategies were employed to mitigate these limitations. The use of multiple data sources, including public hearings, interviews, and literature reviews, allowed for data triangulation, which helps to validate the findings by cross-verifying information from different sources. Additionally, the study sought to include diverse stakeholders in the interviews to capture a range of perspectives. Yet, overcoming the aforementioned sampling biases unfortunately proved challenging. This is largely due to time constraints, lack of resources, and safety concerns which prevented the researcher from visiting informal settlements to conduct in-person interviews with residents. Future research should therefore consider conducting in-person interviews with informal settlement residents, with appropriate safety precautions, to capture the views and lived experiences of those who tend to be most affected by lack of access to WSS.

There were furthermore considerable concerns about the potential role of misleading media narratives promoting privatization. In this specific case, these concerns could not yet be independently verified as this study did not analyze media narratives due to time limitations. This leaves an important gap in understanding how media representations may have shaped public opinion and policy discourse surrounding the privatization of SABESP. Future research could focus on how post-truth tactics and media narratives affect public perception and policy regarding the privatization of SABESP by examining media framing, selective reporting, and the spread of misinformation.

Lastly, the time frame of the study was relatively short, which limited the ability to conduct a longitudinal analysis that could have provided insights into the long-term effects of privatization. Therefore, the concerns about privatization in current debates remain largely speculative,

although grounded in historical experience. This is also because ex ante impact studies, forecasting the potential social, economic, and environmental impacts, were not publicized before important privatization decisions were made. Ex post (and longitudinal) studies are necessary to assess the actual (long term) effects of privatization after it has been implemented. Understanding the potential outcomes of privatization efforts is crucial for evaluating and designing policy options and ensuring that future policy discussions are evidence-based.

Generalizability

This research contributes to the broader discourse on neoliberal governance models and their impact on essential public services, particularly in the context of WSS governance in Brazil. The recommendations offered are not only pertinent to Brazil but also have significant implications for other urban areas facing similar socio-environmental challenges linked to WSS privatization. Brazil faces significant challenges related to infrastructure, governance, and environmental degradation which exacerbate disparities in access to clean WSS services, particularly in rural and impoverished urban areas (Narzetti & Marques, 2021; de Oliveira, 2018). The findings of this study are thus applicable to other urban areas grappling with similar issues in the wake of WSS privatization, such as Lima, Peru (Ezbakhe et al., 2019), and Delhi, India (Bhattacharya & Banerjee, 2015; Scott, 2015).

8. Conclusion

This thesis has explored current debates surrounding the privatization of SABESP within the broader historical and socio-political context of WSS governance in Brazil. The findings demonstrate that current concerns about SABESP's privatization are deeply rooted in historical legacies of centralized governance, neoliberal reforms, and enduring socio-environmental disparities in WSS management in Brazil. The historical analysis revealed that shifts in WSS policies, from the military dictatorship to neoliberal reforms in the 1990s and beyond, have often prioritized centralized control and commercial interests at the expense of equitable and sustainable distribution and management of WSS services.

Contemporary debates echo these historical tensions, centering on the erosion of democratic processes, exacerbation of socio-environmental inequalities, and conflicts of interests between policymakers, SABESP, and the general public. SABESP's privatization increasingly resembles a state-supported project rather than a purely market-driven initiative. This even involves coercive and covert tactics such as reducing public participation and regulatory capture by suspending social measures which would have hurt SABESP's profitability. In addition, post-truth and populist tactics are used to promote privatization by manufacturing public dissatisfaction with SABESP's performance, blaming its public management for poor sanitation and health risks. This dissatisfaction is then leveraged to delegitimize opponents and justify hasty policy decisions bypassing democratic norms. The appearance of such post-truth tactics warrants further research on the role of media in shaping public discourse and policy.

This study asserts that substantial state intervention is necessary to proactively address prevalent socio-environmental concerns and minimize the risks of delegating WSS management to a private entity. It therefore recommends robust regulatory oversight, integrated cross-sectoral management, price caps and FBW, public participation, social control, environmental restoration, and continuous monitoring and adaptation. Regardless of the ownership model, the (re)democratization of state regulation through the genuine empowerment and active participation of civil society remains essential. Beyond the binary public-private dichotomy, community-based management was explored as a promising alternative which warrants further exploration and discussion in Brazilian WSS governance. Future research and policy debates should continue to explore transformative approaches that challenge entrenched practices in water governance based on centralized technocratic control and neoliberal logic.

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Appendix I: Interview Guide

This semi-structured interview guide aims to delve into the concerns and explore potential solutions from various stakeholders' perspectives on the complex issues surrounding SABESP's privatization. Portuguese translations are provided in *cursive* for each question.

1. Introduction - *Introdução*

Hello, and thank you for your participation and being available for this interview about the privatization of SABESP. My name is Mateo, and I am a student from Wageningen doing research for my MSc thesis at the Environmental Policy Group & Sociology of Development and Change Group.

Olá, muito obrigado por concordar em participar desta entrevista sobre a privatização da SABESP. Meu nome é Mateo, sou estudante da Universidade de Wageningen e estou realizando esta pesquisa para minha tese de mestrado junto ao Grupo de Política Ambiental e ao Grupo de Sociologia do Desenvolvimento e Mudança.

Excuse me for this formality, but do you allow me to record this conversation so I can later listen back to it and use your responses for my research? You have the right to withhold or withdraw information at any time. You will automatically remain anonymous in my study, unless you prefer that I use your name.

É só uma formalidade. Posso gravar esta conversa para revisá-la posteriormente e usar suas respostas para minha pesquisa? Você tem o direito de reter ou retirar qualquer informação a qualquer momento. Você permanecerá anônimo em meu estudo, a menos que prefira que eu use seu nome.

I am very glad to speak with you given your expertise, your responses will contribute greatly to our understanding of this critical issue. Could you briefly tell me about your current occupations and how you became interested or involved in this issue?

Estou muito feliz que possa falar com você, dada a sua experiência. Suas respostas contribuirão muito para a nossa compreensão desta questão crítica. Você poderia me contar

brevemente sobre suas ocupações e atividades atuais e como você se interessou ou se envolveu nesta questão?

I will try my best to keep my personal opinions out of this conversation so that I do not influence your answers.

Tentarei manter minhas opiniões pessoais fora desta conversa para não influenciar suas respostas porque quero saber primeiramente suas perspectivas.

2. Concerns about Privatization - *Preocupações com a privatização*

What are your primary concerns regarding the privatization of SABESP?

Quais são suas principais preocupações em relação à privatização da SABESP?

Optional sub-questions - *Subperguntas opcionais*

- Legal and infrastructural barriers to provide sanitation in informal communities.
Barreiras legais e infra-estruturais ao fornecimento de saneamento em comunidades informais.
- How do you foresee privatization will impact public health and the environment?
Como você prevê que a privatização impactará o meio ambiente e a saúde pública?
- How do you perceive the decision-making process regarding SABESP's privatization (in terms of democratic processes such as inclusiveness in public participation, transparency, and accountability)?
Como você percebe o processo político da privatização da SABESP (em termos de processos democráticos como a inclusão na participação pública, transparência e responsabilização)?
- How will privatization affect service quality and reliability?
Como a privatização afetará a qualidade e a confiabilidade do serviço?
- What are your thoughts on the potential economic impacts, such as tariffs and affordability?
Quais são suas opiniões sobre os impactos econômicos potenciais, como tarifas e acessibilidade?
- Do you believe privatization will address or exacerbate geographic disparities in WSS service coverage?
Você acredita que a privatização atenuará ou piorará as disparidades geográficas na provisão e acessibilidade dos serviços de água e saneamento

- Are there specific environmental or health risks you are concerned about, particularly in terms of water quality and pollution control?

Existem riscos ambientais ou de saúde que o preocupam (em termos de qualidade da água e poluição)?

- How might privatization affect the control over pollution and contamination of water sources?

Como a privatização pode afetar o controle sobre a poluição e a contaminação das fontes de água?

3. Proposed Solutions and Alternatives

What solutions or alternative approaches would you propose to address common concerns?

Quais soluções ou abordagens alternativas você proporia para abordar as preocupações comuns?

What role should the government play (in for example regulating and overseeing a privatized SABESP to protect public interests)?

Qual deve ser o papel do governo (por exemplo na regulação e supervisão de uma SABESP privatizada para proteger os interesses públicos)?

What measures can be put in place to prevent or mitigate potential negative impacts (such as risks to public health, the environment and service quality, reliability and accessibility)?

Quais medidas, regulamentos ou políticas podem ser implementadas para evitar ou mitigar os impactos negativos potenciais (como riscos da saúde pública, do meio ambiente e da qualidade, confiabilidade e acessibilidade do serviço)?

Optional sub-questions - *Subperguntas opcionais*

- How can community management and community engagement promote sustainable practices in urban planning?

Como podem a gestão comunitária e envolvimento comunitário promover práticas sustentáveis no planejamento urbano?

- How can transparency and accountability be enhanced in the privatization process?

Como aumentar a transparência e responsabilização no processo de privatização

- What role should public participation and social control play in shaping the privatization strategy?

Qual deve ser o papel da participação pública e controle social na formação da estratégia de privatização?

4. Ending - *Final*

Are you interested in receiving the final results of this study?

Está interessado em receber os resultados finais deste estudo?

Have I forgotten to ask something important?

Esqueci de perguntar algo importante?

Thank you very much for your time and for sharing your valuable insights. If you have any questions or would like to add anything further, please feel free to contact me. Have a great day!

Muito obrigado pelo seu tempo e por compartilhar suas percepções. Se você tiver alguma pergunta, dúvida ou quiser adicionar algo mais, por favor, sinta-se à vontade para me contatar. Tenha um ótimo dia!

- Turn off recording to allow for more informal insights to emerge -
(These insights will not be used in the results, but can be used for following interviews)

Appendix II: Summary Public Hearings

Speaker	Affiliation/ Organization / Background	Stance on Privatization and Main Arguments
Alex Albuquerque (May 2, 2024)	Municipal Health Observatory	In favor: Privatization of SABESP is already legislated; focus now is on the best contract for São Paulo. Many still lack proper sanitation and clean water, questioning SABESP's effectiveness. Privatization will ensure better contracts, social tariffs, and improvements in sewage and water services, which is necessary for clean, drinkable water and better sanitation to improve public health. Critics of privatization are seen as inconsistent and possibly influenced by unions or other interests.
Alisson Carlos da Silva (April 24, 2024)	Sintaema	Against: Privatization is unnecessary as SABESP is already efficient. Privatization will harm vulnerable communities and reduce service quality. Privatization promises are misleading and lack clear investment plans and accountability.
André Luiz (May 2, 2024)	South Zone Association	In Favor: Privatization is already here, now we need to know the way forward.

Arlindo Armario (April 24, 2024)	Public Attendee, Citizen	In Favor: Privatization will bring necessary investments and improve service efficiency. Historical inability of state-led SABESP to resolve pollution points to the need to privatize. Public management is inefficient and costly, with excessive spending on minor tasks. Brazil is a democratic country, and politicians are willing to listen to the public, but there is a lack of public interest in political participation.
Bruno Fonseca (May 2, 2024)	YouTuber	In Favor: Privatization will increase investment plans and end state dependency.

Celso Giannazi (April 22 and 24, 2024)	City Council Member, PSOL	Against: SABESP workers already provide quality public service, benefiting peripheral communities. Water is a human right and cannot be commercialized. Private companies will cut costs and increase tariffs to increase profitability, to the detriment of the quality, coverage, and reliability of the services. Politicians ignore public opinion as majority of population is against privatization More public participation and a referendum are necessary. Privatization worsens services, citing historical negative outcomes from past energy privatization. Criticism of the council president's approach to urban planning, favoring real estate interests over citizens' needs. The privatization of Pacaembu stadium as an example of private interests prioritizing profit over public safety. The state, through public services, had to intervene to prevent risks, highlighting the importance of state control in essential services like WSS. The state should control essential services, ensuring they reach underserved areas. Privatization risks neglecting these areas due to lack of profitability. Emphasis on the importance of checks and balances between the three branches of government (executive, legislative, and judicial). Accusation that the privatization push is politically motivated to benefit Governor Tarcísio. Water and sanitation are fundamental human rights protected by the Federal Constitution.
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		Concern that privatization will lead to profit-driven decisions at the expense of public safety and access. Assertion that the state should maintain control to ensure services reach underserved areas. Criticism of Governor Tarcísio's broader privatization agenda in education, health, and transportation. Claim that São Paulo's funeral services privatization has led to increased costs and neglected infrastructure. Accusation that Mayor Ricardo Nunes surrendered municipal autonomy over water services for political support. Polls showing 61% of São Paulo's population opposes SABESP privatization. Warning about potential tariff increases and service deterioration under private management. Concern about private management during climate emergencies and water crises. Call for more extensive public hearings and a plebiscite on the privatization issue. Emphasis that water is not a commodity and opposition to privatization.
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Cid Barbosa Lima (April 22, 2024)	Association of Sanitation Specialists	Against: Water is a universal right, not a commodity. International examples (e.g., UK) show privatization reduces service quality and causes pollution. Monopolies will lead to increased prices and reduced quality of services. Global trend against neoliberal policies and against privatizing essential services.
Débora Pereira de Lima (April 24, 2024)	President of the PSOL state directory National coordinator of the Homeless Workers' Movement (MTST)	Against: The public hearing process has been unfair due to favoritism and barring opponents from participating. Many council members lack understanding of the hardships faced by people in peripheral areas and ignore the public's interests. Lack of trust in the political process as politicians favor business interests and their own benefactors over the needs of the populace. The cost of water services falls on the people, not the politicians, who are selling a vital public resource.
Douglas Garcia (May 2, 2024)	Former republican state deputy in São Paulo	In Favor: Privatization reduces costs and increases efficiency. Savings and profits can be invested in essential services for the population. Critics are self-interested and do not represent the suffering of the poor

Elaine do Quilombo (May 2, 2024)	City Council Member, PSOL	Against: Other privatizations have already caused a lot of harm to the population. Peripheral areas, like Cidade Tiradentes, have suffered long-standing neglect in basic infrastructure like asphalt, sewage, and electricity. The legislative process on SABESP's privatization has been rushed, lacking thorough public and legislative scrutiny and skipping impact studies. Privatization is driven by interests other than those of the public. The financial burden of privatization will fall on the residents of peripheral areas, leading to higher water costs.
Fernanda Veraldo (April 22, 2024)	Former environmental and urban engineer at SABESP	Against: The privatization process has been rushed and undemocratic, lacking proper technical studies, adequate public hearings, and fair legislative procedures. Majority of the population of São Paulo is opposed to privatization which is not being democratically considered. SABESP faces legal and financial constraints that limit its ability to provide sanitation services in peripheral areas. Privatization will worsen service accessibility for less profitable peripheral areas.

Fernando Chucre (April 22, 2024)	Executive secretary for planning and priority deliveries	In Favor: The existing contract with SABESP ensures that all current benefits and services are maintained, with no losses expected. Negotiations with the State of São Paulo resulted in a 50% increase in investments throughout the contract period, specifically targeting infrastructure improvements in vulnerable and peripheral areas. The establishment of a compensation fund ensures that tariffs will stay lower than expectations, preventing significant price increases for the population. Technical data will be made public in may for thorough analysis and response to any questions, ensuring transparency.
Francine Delfino Gomes (April 24, 2024)	International environmental lawyer and sanitation researcher	Against: Historical examples of private involvement demonstrate failure to reach service quality and coverage improvements, citing disastrous examples from Manaus and Gaurulhos. Financial guarantees for investment in WSS are lacking. The issue is not just funding but also the lack of technical expertise and interdisciplinary collaboration.
Hana Miriam (May 2, 2024)	Associação Jardim Capela e Cerejeira	In Favor: Despite having paved streets, these areas lack sewage infrastructure. She criticizes SABESP for its poor service leading to lacking sewage infrastructure in several neighborhoods in São Paulo, including Nova Jerusalém, Terra Prometida, Canaã, and Chácara Bandeirantes.

		She highlights that many residents have to resort to illegal water connections, causing environmental and health risks, especially near the reservoirs She urges local authorities to acknowledge and address these issues.
Helena Maria da Silva (April 22, 2024)	Sintaema	Against: SABESP is already profitable, efficient, and competent due to public investments, which is why private companies want to take it over. Privatization degrades service quality and increases tariffs, based on past experiences Historical examples of negative outcomes of privatization are mentioned, including ENEL and CEDAE.
Hilton Marione (April 22, 2024)	Sintaema	Against: Privatization leads to monopolies that can increase tariffs as there is no free market competition. Water is a public good that should not be sold by politicians. Historical References to the 2014-2015 water crisis point to the ability of SABESP to respond to crises, which private actors would fail at.

Jaqueline da Silva Alves (April 24, 2024)	Public Attendee, Citizen	Against: Citation of former federal deputy Geninho Zuliani, who noted that São Paulo state is an exception in Brazil, with good sewage collection and treatment rates. Highlighting that 270 out of 675 municipalities lack water and sewage treatment, which is beyond the São Paulo City Council's jurisdiction. Emphasis on SABESP being one of the largest water companies globally, with annual revenue of 17.72 billion reais. Questioning why, if SABESP has been inefficient in universalizing basic sanitation, the blame should fall on decades of liberal and right-wing political management. Argument that SABESP has sufficient budget and staff to universalize services by 2029, but needs political will from the city and state governments. Criticism of inconsistent statements from Governor Tarcísio regarding potential tariff reductions after privatization. Observation that 900,000 families recently lost access to social tariffs for water, coinciding with the start of SABESP's privatization discussions. Emphasis that water and sewage tariffs are set by ARSESP (regulatory agency), not directly by SABESP. Expression of frustration that the public doesn't have access to the full report being discussed.
Jéssica Nascimento (May 2, 2024)	Public Attendee, Citizen	In Favor: Privatization can lead to improved efficiency and service quality through additional necessary private investments.

Jorge (April 22, 2024)	Public Attendee, Citizen	Against: Past experiences have shown privatization has led to suffering of the population, as seen with CEDAE in Rio de Janeiro and the energy company Enel, which still struggles to provide consistent electrical service in São Paulo. There is significant public opposition, including many people who are not able to attend this hearing. Creating a private monopoly over a vital resource like water is problematic. As an alternative to creating a private monopoly, alternatives should be considered to allow competition with the public sector.
José Antônio (April 24 and May 2, 2024).	Sintaema	Against: Privatization is ideologically driven and neglects scientific evidence. Public service has been effective and affordable and will reach universalization goals without the need to privatize. There is already 94% coverage of water supply in the municipalities where SABESP operates. Supporters of privatization conflate SABESP with the rest of Brazil, where coverage of WSS is still lacking. SABESP already is profitable and reinvests profits into expanding coverage and maintaining and improving water infrastructure. The power to grant the concession is municipal. São Paulo, responsible for nearly 45% of SABESP's revenue, holds significant influence. If the municipality does not agree to the privatization, it will be unfeasible. Ultimately, the decision therefore lies with the São Paulo City Council.

Júnior Freitas (April 24, 2024)	Public Attendee, Citizen	Against: Criticism of city council members for discussing SABESP privatization as if they have no responsibility in the matter. Questioning whether it's not the councilors' duty to oversee essential services like sanitation for the poor population. Assertion that if poor areas lack basic sanitation, it's because the councilors haven't fulfilled their responsibilities during their mandates. Criticism of the idea of privatizing an essential resource like water for corporate profit. Acknowledgment that state-owned companies can be prone to corruption and nepotism, especially under the current mayor's administration. Overall sentiment that privatizing such an important public service indicates that many councilors are not effectively serving the public interest.
Luana Alves (May 2, 2024)	City Council Member, PSOL	Against Criticizes the difficulties faced by the public and SABESP workers in accessing the space to participate and express their views. Condemns the intimidation and disrespect towards SABESP workers and public participants by some members of the council, including derogatory remarks and threats of legal action. Those voting for privatization are betraying the people of São Paulo, accusing them of being "sold out" in exchange for political support. Privatization will lead to higher water bills and reduced service quality, particularly affecting poor and peripheral communities.

Lucas Pavanato (April 24, 2024)	City Council Member, PL	In Favor: State-managed services have failed significantly. Over 1 million São Paulo residents lack basic sanitation, which privatization aims to address through investment. Privatization is necessary for improvement of service quality and coverage through additional private investment The left only opposes privatization to protect sources of corruption and employment for unproductive workers. Ideological division stemming from the claim that the left is not genuinely concerned with the problems faced by the poor but are focused on political games
Lucas Pinheiro (April 24, 2024)	Livres Movement	In Favor: Privatization will ensure significant additional investments necessary to advance universal service goals by 4 years and allow social tariffs for vulnerable populations.
Luiz Castro (April 22, 2024)	Public Attendee, Citizen	Against: Criticism of the lack of technical information presented in public hearings about WSS issues. Assertion that most people, especially those lacking water access, are not concerned with whether the company is state-owned or private, but rather with getting water service. Call for more specific information on how and when water infrastructure will reach citizens, rather than vague promises, to enhance transparency and accountability Criticism of decisions being political rather than technical.

Luna Zarattini (May 2, 2024)	City Council Member, PT	Against: There are significant barriers to participation excluding the public and SABESP workers from attending the hearing. Privatization in Rio de Janeiro led to a 564% increase in complaints and a social tariff 71 times higher than São Paulo. Historical privatizations in São Paulo cause reason for concern. The privatization of Enel resulted in frequent power outages. Privatization of cemeteries resulted in an eleven fold increase in prices. Metro and CPTM privatizations also did not benefit the public. Privatization will lead to poor water quality. Privatization as a Crime: Describes privatization of SABESP as a major crime against the city. Water is a human right and coverage issues arise due to land regularization problems, which should be addressed by the municipality.
Marcelo Nascimento (May 2, 2024)	CAEMA	Against: The population of São Paulo opposes the privatization of SABESP and ENEL.
Paulo Cogos (May 2, 2024)	Libertarian and catholic economist	In Favor: Privatization drives investment, improves economic efficiency, and conserves public resources. The state should regulate, not manage services.

Paulo Maverique (April 24, 2024)	Friends of the Parque do Lago Neighborhood Association.	In Favor: He commends the 36 council members who voted for privatization, arguing they are doing their duty to oversee and rectify the poorly executed services in São Paulo. He highlights the severe contamination of the Guarapiranga reservoir, which is crucial for the city's water supply, by millions of liters of sewage daily, indicating SABESP's failure to manage this. Maverique expresses frustration with SABESP's long tenure of over 30 years without significant improvements, suggesting privatization might bring the necessary enhancements. He criticizes SABESP for charging for sewage treatment that is not properly carried out, with sewage being diverted back into the reservoir, exacerbating environmental and public health issues. He underscores the mismanagement leading to public health crises, such as the dengue outbreak, and accuses SABESP of not investing profits back into essential infrastructure, calling for privatization as a solution.
Ramon dos Santos Júnior (April 22, 2024)	Sintaema	Against: Historical comparison with the 1998 Eletropaulo privatization, citing suspicious bidding process and immediate payment renegotiations. Private Eletropaulo proposed usage limits and supply cuts in poorer areas. This is contrasted with public SABESP, who offered consumption reduction discounts, avoiding cuts. Private companies in Brazil primarily seek subsidies and profits, citing increasing energy company subsidies with ENEL: 20 billion in 2020, 35 billion in 2023. Valuable Eletropaulo properties sold at seemingly low prices post-privatization.

		Raised concerns about the amount of subsidies for other privatized services (transportation, water, energy, funeral services).
Renê Vicente dos Santos (April 22, 2024)	Sintaema	Against: SABESP workers are competent and serve in areas which private companies have abandoned. Historical examples, such as ENEL, have shown that privatization will harm the population by reducing service delivery.
Rodrigo Neves (May 2, 2024)	Historian	In Favor: State management has failed for decades Poor state planning and incompetence has led to ongoing problems, such as sewage connections directly into Billings and Guarapiranga reservoirs, and frequent flooding in watershed areas.
Rubinho Nunes (May 2, 2024)	City Council Member and Mayor, Brazil Union	In Favor: Criticism against SABESP's services, especially in environmental zones where they cannot operate due to bureaucratic restrictions. These areas have seen unregulated housing developments that complicate sanitation efforts. Efforts to convert environmental protection areas to social housing zones have faced political and social opposition. The goal is to provide better housing and infrastructure while preventing new unregulated settlements. The goal of privatization is to advance the universalization of sanitation services, aiming to meet targets by 2029, which SABESP alone may not achieve. Currently, waste goes into water sources due to insufficient collection. The new contract aims to improve waste collection,

		although 100% coverage is not guaranteed due to persistent bureaucratic hurdles. Elected officials have the mandate to vote and decide, a referendum is not binding, it is merely consultative.
Sidney Cruz (May 2, 2024)	City Council Member, MDB (Brazilian Democratic Movement)	In Favor: There is currently a major disparity in sanitation service coverage, particularly between the upper-class <i>Jardins</i> region of São Paulo and territories and rural areas. Public participation is not affected by the hours or locations the hearings are held, as five decentralized hearings have been organized in different territories and hours. There is simply a lack of public interest in political participation, which extends beyond São Paulo, affecting the entire country, highlighting the necessity of reestablishing proximity between politics and citizens. New contracts will ensure additional investments in recovery of polluted reservoirs, restoring watershed areas surrounding the reservoirs, and investing in social housing to regularize communities around the reservoirs, some of which may need relocation.

Silvia Ferraro (April 22, 2024)	PSOL, City Council Member	Against: The state legislature has only authorized the sale of SABESP's shares on the stock exchange. If there are no buyers, privatization will not occur, which the municipality can ensure by not supporting the decision. A significant majority of São Paulo's residents (61%) oppose the privatization, according to a Quest survey, warranting an official plebiscite to genuinely gauge public sentiment. The number of public hearings (six) is insufficient compared to other significant projects. The hearings have equally spread geographically, warranting more hearings across all regions of São Paulo to ensure widespread public participation. The negative experiences with Enel suggests that privatizing SABESP could lead to poor customer service and inefficiencies, as seen with prolonged power outages and inadequate customer support. SABESP is perceived as doing a good job, especially in reaching underserved areas. This reliability is contrasted with privatized services in other regions, such as Rio de Janeiro, where the water quality deteriorated post-privatization. A study by the Municipal Court of Accounts indicates no guarantee that privatization will lower tariffs. On the contrary, there is a significant risk of increased inefficiency and higher tariffs. The council scheduled the vote before completing public hearings, compromising public involvement. More hearings are necessary to ensure broad participation, beyond the minimum legal requirements. SABESP is a mixed company with both state and private capital. It prioritizes public welfare over profit, unlike fully privatized companies like Enel.
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Susana Saldanha (April 24, 2024)	Butantã Environmental Network	Against: It seems redundant to privatize SABESP further since nearly 50% is already private. The strategic control should remain public to serve the population effectively. The privatization appears to be driven by political agreements and ambitions rather than public interest, which has led to widespread dissatisfaction. The issues SABESP faces are interconnected with housing, urban planning, and environmental departments. Effective management requires these secretaries to work together with SABESP rather than placing all the responsibility on it alone. The ongoing efforts to improve sewage collection and treatment face significant challenges due to the city's complexity and growth. Effective urban and environmental planning is crucial to address these issues. Further privatization is unnecessary. The current issues stem from internal legislation and political agreements rather than SABESP's performance. The focus should be on practical solutions that address the reality of the city's needs.
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Table 3: Summary of the three public hearings on the privatization of SABESP, noting each participant's background, stance on the issue, main points they raised, and supporting direct quotes in alphabetical order of participants' names.

Appendix III: Interview Consent Form

Interview Consent Form

MSc Thesis Environmental Sciences

This consent form is intended to confirm that you, as a participant, have been sufficiently informed about this research project, that you are willing to participate in an interview and that you are aware of your rights as an interviewee.

Please tick the boxes below that you agree to:

- ☐ I know that the title of the research project is "The political ecology of water and sanitation privatization in São Paulo, Brazil".
- ☐ I agree to participate in to an interview so that the information I provide can be used for this research.
- ☐ I agree that the interview will be recorded and the audio stored securely encrypted digitally and will not be shared with other parties. The audio file is only intended for this study and will be deleted upon completion of this study.
- ☐ I understand that as an interviewee I always reserve the right not to answer any question, to stop the interview at any time and to withdraw any information given at any time.

Please answer the following question with a yes or no:

Do you wish to remain anonymous?

Answer: Yes/no

Please sign this form below to indicate that you agree to the aforementioned information:

Participant

Researcher

Name:

Mateo Groot

Signature:



Date:

June 27th, 2024

Contact details:

Email address: mateo.groot@wur.nl

Telephone number: [REDACTED]

Disclaimer: The thesis report is produced by a student of Wageningen University as part of his MSc-programme. It is not an official publication of Wageningen University and Research and the content therein does not represent any formal position or representation by Wageningen University and Research.

Appendix IV: Planning

May `14	Hand in draft proposal
May 29	Hand in Proposal
June 1 - July 1	Data Collection & Analysis
July 1	<u>Discuss preliminary results with supervisor</u>
July - August 1	Finish results + discussion
July 15	Hand in results
July 15 - August 15	Finish discussion + Conclusion
August 18	Hand in Draft
August 19	Hand in Final Thesis
August 22 1330 Room 0072 Leeuwenborch	<i>Final colloquium</i>
August 28	Defense & Grading