Foreign and Domestic Investment in Argentina

Political economy scholarship suggests that private sector investment, and thus economic growth, is more likely to occur when formal institutions allow states to provide investors with credible commitments to protect property rights. This book argues that this maxim does not always hold for infrastructure privatization programs. Rather, differences in firm organizational structure better explain the viability of privatization contracts in weak institutional environments. Domestic investors – or, if contracts are granted subnationally, domestic investors with diverse holdings in their contract jurisdiction – work most effectively in the volatile economic and political environments of the developing world. They are able to negotiate mutually beneficial adaptations to their contracts with host governments because cross-sector diversification provides them with informal contractual supports. The book finds strong empirical support for this argument through an analysis of fourteen water and sanitation privatization contracts in Argentina and a statistical analysis of sector trends in developing countries.

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Advance Praise

“What explains variation in the sustainability of private investments in politically volatile environments? This groundbreaking book addresses the question by illuminating the informal mechanisms that protect investors in the absence of formal legal safeguards in developing countries. Building on Vernon’s analysis of the ‘obsolescing bargaining’ and Williamson’s notion of ‘relational contracting,’ Alison Post not only documents but explains the conditions that make private investment more (or at times less) resilient to regulatory capture in the water and sanitation sectors. Her insightful contributions improve our understanding of the political conditions that shape the definition of property rights, while pointing to the vulnerability of institutions and treaties that require third-party enforcement. This book is a must-read for any scholar of economic development and comparative political economy more generally.”

– M. Victoria Murillo, Columbia University
Foreign and Domestic Investment in Argentina

The Politics of Privatized Infrastructure

ALISON E. POST
University of California, Berkeley
Contents

List of Figures and Tables
Abbreviations
Acknowledgments

Introduction 1

1. Informal Contractual Supports in Weak Institutional Environments 15

2. Water and Sanitation Privatization in Argentina: An Overview 41

3. Contractual Fragility Prior to the Crisis: Investors without Diverse Local Holdings Falter 74

4. Smoother Sailing for All Investors in Less Competitive Provinces 107

5. Home Court Advantages Magnify after the Crisis 136

6. Diverse Local Holdings Also Prevail in Calm Political Contexts 160

7. Explaining Contractual Resilience in Low- and Middle-Income Countries 192

Conclusion 219

References 229

Index 245
Figures and Tables

FIGURES
2.1 Argentine Provinces That Privatized Their Water and Sanitation Systems, 1991–2000  page 50
2.2 Clustering of Contractual Outcomes by Concession  63
3.1 Provincial Political Hurdle Scores: Averages for Pre-Crisis Period  76
5.1 Provincial Political Hurdle Scores: Averages for Post-Crisis Period  141
7.1 Estimated Survivor Curves for Projects with Foreign Owners in Low- and Middle-Income Countries, 1990–2008  208

TABLES
1.1 Ideal Typical Contractual Relationships: Central Features  19
1.2 Investor Organizational Structure and Contractual Outcomes When Contracts are Granted at the Subnational Level  30
1.3 Secondary Sources of Variation in Contract Trajectories  35
1.4 Alternative Explanations Emphasizing Different Independent Variables  39
1.5 Alternative Explanations Emphasizing Same Independent Variable  39
2.1 Condition of Provincial Water and Sewerage Utilities Prior to Privatization (Includes Provinces That Did Not Privatize)  45
2.2 Contracts Secured by Particular Types of Investors  55
List of Figures and Tables

2.3 Investor Organization and Rates of Post-Crisis Contract Renegotiation, Post-Crisis Tariff Increases, and Investor Exit by 2010 65
2.A.I Investor Organizational Structure and Contractual Outcomes 71
3.1 Government Contract Compliance for Pre-Crisis Period (High-Hurdle Provinces) 80
3.A.I Political Hurdle Index Components for Pre-Crisis Period (High-Hurdle Provinces) 104
3.A.II Pre-Crisis Expectations and Findings in Provinces with High Political Hurdles 105
4.1 Government Contract Compliance for Pre-Crisis Period (Low- to Moderate-Hurdle Provinces) 112
4.2 Investment Rates for Pre-Crisis Period: International and Domestic Operators in Provinces with Low to Moderate Political Hurdles 131
4.A.I Pre-Crisis Expectations and Findings in Provinces with Low to Moderate Political Hurdles 132
4.A.II Political Hurdle Index Components for Pre-Crisis Period (Low- to Moderate-Hurdle Provinces) 134
5.1 Government Responsiveness Post-Crisis, 2002–2008 (High-Hurdle Provinces) 145
5.A.I Post-Crisis Expectations and Findings for Provinces with High Political Hurdles 156
5.A.II Political Hurdle Index Components for Post-Crisis Period (High-Hurdle Provinces) 158
6.1 Government Responsiveness Post-Crisis, 2002–2008 (Low- to Moderate-Hurdle Provinces) 164
6.A.I Post-Crisis Expectations and Findings in Provinces with Low to Moderate Political Hurdles 187
6.A.II Political Hurdle Index Components for Post-Crisis Period (Low- to Moderate-Hurdle Provinces) 189
7.1 Foreign Ownership and Contract Cancellation in Low- and Middle-Income Countries, 1990–2008 195
7.2 Foreign Ownership and Contract Duration in Low- and Middle-Income Countries, 1990–2008 198
7.3 Foreign Ownership and Contract Duration in Low- and Middle-Income Countries, 1990–2008 (Annual Observations) 203
7.5 International Arbitration Access and Contract Duration for Foreign Investors in Low- and Middle-Income Countries, 1990–2008 206
### List of Figures and Tables

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.7</td>
<td>International Arbitration Access and Contract Duration for Foreign Investors in Low- and Middle-Income Countries, 1990–2008 (Annual Observations)</td>
<td>212</td>
</tr>
<tr>
<td>7.8</td>
<td>Property Rights Protections in Selected Latin American Countries</td>
<td>216</td>
</tr>
</tbody>
</table>
Abbreviations

ACS Actividades de Construcción y Servicios S.A. (Construction Activities and Services, a Spanish construction group)
AGBA Aguas del Gran Buenos Aires S.A. (Buenos Aires provincial water company)
AR$ Argentine pesos
BIT Bilateral investment treaty
EPAS Ente Provincial del Agua y de Saneamiento (Water and sanitation regulator for Mendoza Province)
ETOSS Ente Tripartito de Obras y Servicios Sanitarios (Tripartite regulatory agency for water and sanitation, Buenos Aires metropolitan area)
FCC Fomento de Construcción y Contratas S.A. (Construction and Contract Promotion, a Spanish construction group)
FDI Foreign direct investment
ICSID International Centre for Settlement of Investment Disputes
IDB Inter-American Development Bank
INDEC Instituto Nacional de Estadística y Censos (National Statistics and Census Institute)
MNC Multinational corporation
OECD Organisation for Economic Cooperation and Development
OSM Obras Sanitarias de Mendoza (Water concessionaire for Mendoza Province)
OSN Obras Sanitarias de la Nación (National Water and Sanitation Services)
SAMSA Servicio de Aguas de Misiones S.A. (Water concessionaire for Misiones Province)
UNCTAD United Nationals Conference on Trade and Development
Acknowledgments

For David

Many individuals and organizations generously supported the development of this book. For financial support for fieldwork, research assistance, and writing, I would like to acknowledge the following organizations and programs. At Harvard University, research and writing were supported by the General Committee on Scholarships; the Foreign Language and Area Studies fellowship program of the U.S. Department of Education; the Project on Justice, Welfare, and Economics; an Eliot Dissertation Completion Fellowship; the Westengard program; the Real Estate Academic Initiative; the David Rockefeller Center for Latin American Studies; and the Institute for Quantitative Social Science. A postdoctoral fellowship from the Committee on Global Thought at Columbia University allowed me to make initial revisions to the dissertation and financed additional fieldwork. Finally, the Institute for International Studies at UC Berkeley funded a book manuscript conference, research assistance, and additional fieldwork.

This book grew out of a doctoral dissertation completed while I was a student in the Government Department at Harvard University. I am indebted to my dissertation committee members, Jorge I. Domínguez, Jeffry Frieden, and Steven Levitsky. Their guidance sharpened my thinking and ensured that I was engaging with disciplinary debates while researching a topic rarely studied by political scientists. Outside the Government Department, fellow infrastructure scholars José (Tony) Gómez-Ibáñez, Henry Lee, and Louis Wells provided encouragement and important feedback.

I am indebted to many individuals and institutions in South America. In Argentina, I am indebted to the community of individuals who have devoted their lives to improving water and sanitation services in their country. I would first like to thank members of the different institutions in the sector that supported my research: AIDIS Argentina (Asociación Argentina de Ingeniería Sanitaria y Ciencias del Ambiente), FENTOS (Federación Nacional de
Trabajadores de Obras Sanitarias), AFERAS (Asociación Federal de Entes Reguladores de Agua y Saneamiento de la República Argentina), COFES (Consejo Federal de Entidades de Servicios Sanitarios), and ENOHSA (Ente Nacional de Obras Hídricas de Saneamiento). I also am grateful to all of the individuals who set aside time for interviews, in many cases on multiple occasions, and who put me in touch with their colleagues. I will refrain from mentioning most of these names, as I do in the text, in order to avoid associating the conclusions of this piece – which are entirely my own – with anyone in particular. I would, however, like to acknowledge a few individuals who contributed greatly, and for whom an association with this project would not pose professional difficulties: Emilio Lentini, Román Ghio, Alexandre Brailowsky, Jean-Bernard Lemire, Carlos Ben, Norberto Nevani, Daniel Nallar, Federico Querio, the late Alejandro Bidegain, Rodrigo Castillo, Wylian Otrera, Lucía Mercado, and Rúben Pereyra.

I also would like to acknowledge the support of members of the Argentine academic community. Gustavo Herrero and Alexandre de Royere of the Harvard School of Business’s Buenos Aires center were very supportive, particularly as I was starting the project. At CEDES (Centro de Estudios del Estado y Sociedad) in Buenos Aires, Valeria Serafínoff, Oscar Oszlak, and Mario Roiter offered important support. I am particularly thankful to Gustavo Ferro, Sebastián Galiani, and Ernesto Schargrodsky for their willingness to share data and source materials, and for Bronwen Morgan and Carolina Fairstein’s willingness to share sources on Tucumán. I also thank Alberto Föhrig, Santiago Urbizondo, Carlos Acuña, Sebastian Etchemendy, Marcelo Leiras, Pablo Sanguinetti, Juan Sanguinetti, Miguel de Luca, and Juan Carlos Torre for making time for very helpful conversations. I am particularly indebted to Valeria and Alberto for their friendship and long conversations about Argentine politics. I am also grateful to Alicia de la Fuente and Román and Giselle Ghio for taking me into their homes in Buenos Aires, and to the Puyó family for their friendship.

In Chile, I would like acknowledge the institutional support of ECLAC, where Miguel Solanes and Andrei Jouravlev provided guidance. Staff members at the David Rockefeller Center in Santiago, Steven Reifenberg in particular, were also extremely supportive. Pablo Serra and Andrés Gomez-Lobo provided helpful advice. I am particularly grateful to Sonia Gómez Urrestarazu and Germán Lorenas Kramer for providing me with a home away from home in Santiago and to Alexia Peyreire for her friendship. Meanwhile, several individuals helped me establish contacts in Brazil: John Briscoe, Jennifer Sara, and Thadeu Abicalil. Lincoln Noronha provided important on-site assistance during my stay.

Completing the dissertation and transforming it into a book manuscript would not have been possible without feedback from many friends and colleagues. I would first like to thank Lewis Bateman at Cambridge University Press, who has offered encouragement since the book proposal stage. Two reviewers for the Press also offered immensely helpful suggestions for improving the manuscript. Members of the Comparative Politics and Political Economy
research workshops at Harvard, the Comparative Politics Seminar at Columbia, and the Junior Faculty Workshop at the Institute for International Studies at UC Berkeley provided helpful feedback as well. I would particularly like to thank the following individuals, who read and commented on the entire manuscript: Katerina Linos, Vicky Murillo, Veronica Herrera, Marcus Kurtz, Erica Simmons, and Kurt Weyland. For comments on specific book or dissertation chapters, I am grateful to Jim Alt, Robert Bates, David Collier, Ruth Berins Collier, Peter Evans, Robert Fannion, Magnus Feldmann, Eugenia Giraudy, Stephan Haggard, Peter Hall, Michael Hiscox, Dan Hopkins, Torben Iversen, Robert Kaufmann, Jason Lakin, Jonah Levy, Pauline Jones Luong, Sebastián Mazzuca, Shannon O’Neil, Wendy Pearlman, Susan Pharr, Paul Pierson, Megan Rithmire, James Robinson, Valeria Serafinoff, Ken Shepsle, Jiyeoun Song, Matthew Taylor, and Steven Vogel. I would also like to thank Gary King, Kevin Quinn, Patrick Lam, and Justin Grimmer for advice on specific analytic points. I am also grateful for the supportive environment UC Berkeley provides for its junior faculty members, and for mentoring from Ruth and David Collier in particular; this made the process of turning the dissertation into a book much more enjoyable.

Several young scholars provided me with invaluable research assistance at different points in the project. I would like to thank Benjamin Allen, Bernardo Deregibus, Ignacio Deregibus, María Belén Fernández, Hernán Flom, Eugenia Giraudy, Lindsay Mayka, Pedro Peterson, Ivanna Travaini, and Guadalupe Tuñon. Leslie Kriesel provided excellent assistance with line editing. I am particularly grateful to Bernardo Deregibus for accompanying me through the majority of the fieldwork portion of the project and to Ben Allen for patiently helping me finalize the manuscript.

Friends and family were also incredibly helpful in bringing this book to fruition. I would like to thank my brother and parents for their support. My mother proofread the dissertation and one draft of the manuscript at moments when I could not afford or find editors. David Martin, my partner, has provided invaluable emotional support and humor along the way. Our son, Maxwell, was born a few weeks after I submitted the manuscript for review. I would also like to thank Vibeke Christensen and Maryam Modjaz for their friendship and support over the years.

All errors are my own.