# The financialization of water access: a case study in Colombia

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## Abstract

This paper seeks to address the question of the funding of water access, still a major issue for the world's poor. About 29% of the world population lacks access to drinking water (WHO, 2017). The new economic models based on the Bottom of the Pyramid market approach applied to water access are supposed to ease the acquisition of products or the financing of water related infrastructure, through, for instance, the establishment of microcredit programmes. In the case of Colombia, where it is estimated that 90% of the water provision in rural areas is supplied by water community organizations (DNP, 2014), this alliance, utilizing solidary finance, has proven the existence of another approach for water access funding. Financed through membership fees, these associations are gradually turning to a specific system of funding through local financial cooperatives and even commercial banks. This funding is used to for maintenance and expansion of existing infrastructure (collective pipes, treatment plants, etc.). This paper will focus on the case of Antioquia where certain organizations operate with accounts in multiple financial institutions and repeatedly engage with credit (*Cooperativa financiera Confiar, Cooperativa Financiera de Antioquia – CFA,* etc.). The paper will show how even this form of financing represents the phenomenon of financialization through debt, characterized by the collective credit of smaller number of organizations concentrated in rural areas peripheral to the city of Medellín. This is an emerging phenomenon that has come about after these organizations were "financially included" in formal banking arrangements in the early 2000s. The diversity of stakeholders involved, grassroots organizations, NGOs, financial institutions and government entities brings several levels of understanding to the broader issues of community water management in Colombia. The latter is subject to strong political tensions, due in part to the pressure exerted by the public and private companies in a context of permanent struggle for the control of water resources. The hypothesis defended is that financial services are appropriate by the water community organizations as a means of resistance against the State and reduction of financial dependence. However, this process of financialization as a desire for autonomy is not without socio-economic consequences. This paper argues that this financialization results in social transformations within associations, in terms of social relations between members, but also externally between other organizations with which they are linked (IF, NGOs, government, etc.). The socio-economic analysis of these grassroots organizations and their increasing use of the bank credit models will help highlight processes of inclusion and exclusion in this type of community management intervention. It can contribute as well to thinking about innovative financing strategies for water access while furthering our understanding of the functioning of "inclusive markets" and the commodification of basic services.

## 1. Introduction

The financialization of the water sector reflects the current trend to improve access to drinking water for about 2.1 billion people who still have no access to drinking water worldwide (WHO, 2017), which is based on market-inclusive water thinking. The incapacity of the state, historically responsible for providing access to water, as well as the failure of private companies and even public-private partnerships (PPP) launched in the 1990s in developing countries, has left a clear ideological gap in strategies to improve access to water. The World Health Organization (WHO) in 1980s stated that financial constraints were the single most serious obstacle to progress (Baron et al., 2019). A few years later, the World Water Council (WWC) and the Organisation for Economic Cooperation and Development (OECD) argue that water security requires substantial financial investments (Ahlers and Merme, 2016) and thus aligns itself with the post-Washington consensus ideological vacuum which favours the market as a development policy (Baron et al., 2019). The new strategies adopted differ from conventional approaches in their heterogeneity and decentralization and converge on one point: the trend is towards the market and no longer towards the State. The idea behind is that all the actors in the water distribution circuit, from the provider to the consumer, integrate an entrepreneurial vision in terms of risks, rewards and investment (Baron et al., 2019).

As a result, new individual and local community adaptation strategies are emerging that result in a variety of fragmented water markets, driven by both large formal companies and small informal suppliers. Schemes combining microfinance and access to water (Baron et al., 2019) or bottled water markets dominated by large multinationals (Greene, 2018) have emerged or have intensified. New investment groups are also emerging with the intention of investing in major infrastructure, from private equity investors (such as Blackstone) to institutional investors (such as pension funds or insurance companies) to new multilateral banks such as BRICS Bank and Asian Infrastructure (Ahlers and Merme, 2016). All these new approaches contribute significantly to the financialization of water access.

In Colombia, the adaptation strategies adopted by water community organizations, characterized by bank financing and the use of collective credit, offer a new interpretation of the process of financialization of water access that deserves to be documented. While the literature on the democratization of finance focuses on supply, this case study is part of a demand-driven approach to financialization and provides the perspective of a grassroots organization. The objective of this paper is to analyse the integration of financialisation into the practices of these grassroots organisations by focusing on the needs or aspirations to which it responds. To do this, we will adopt an ambivalent vision of financialization and debt (Polanyi, 1957; Fraser, 2014; Guérin, 2012).

Community-based water management (CBWM) is a management model based on the principles of self-management and the "common good". Although the origins of this model are much older, its "contemporary" version developed widely in rural areas of developing countries in the 1990s to overcome, on the one hand, the difficulties faced by governments in providing access to water in rural and peri-urban communities and, on the other hand, the lack of private investment due to the low attractiveness of financial returns in these areas (Foster, 2013; Harvey & Reed, 2006). CBWM has gained global legitimacy and recognition over the years, and local knowledge of water management practices has become the driving force behind this approach (Devine, 2006). Water management is based on the theory of common goods and the work of Elinor Ostrom (2010), who argues, following an analysis of the three

models most commonly used to explain the economic relations between individuals and natural resources (tragedy of the commons, prisoner's dilemma and collective action), that individuals are willing to manage natural resources collectively, by organizing their own cooperative strategy, with emphasis on their capacities for self-regulation, self-management and recognition of different levels of governance.

While community management represents 90% of rural water supply in Colombia (DNP, 2014), it has historically been marginalized by the government and has never really been considered as a serious option for the provision of drinking water services. In a context marked by conflicts related to water management and the pressure of public policies on this management model, we observe the emergence of a process of financialization from the bottom up, resulting from the new financial practices of community water management associations.

This paper shows through the analysis of the financial practices of these associations that financialization cannot only be approached top-down, imposing itself on individuals from above, but that it responds to the needs and aspirations of individuals and communities. We observe here how equivocal strategies are put in place by grassroots organizations to diversify their funding sources and reduce their dependence on the state, turning to financial cooperatives for access to credit. Beyond improving infrastructure and water quality, the use of credit serves another purpose. It has a political dimension. My hypothesis defends the idea that these financial practices appear to be a means of emancipation and contestation against the State (Appel, 2014; Mann, 2017). The associations thus seek their autonomy and affirm their model of community management threatened by public policies that promote private and public management. However, this path to autonomy is not without consequences. Indeed, through these new financial management practices, self-managed communities assume the responsibilities and risks associated with the market-based model and expose themselves to significant social transformations within their community and to changes in relationships with the various actors with whom they interact.

Starting by briefly presenting the dominant theories on financialization, we will discuss the demand-driven approaches and the theories from the Organical Political Economy on which we will rely to address this case study. We will present the community water management in Colombia and its main issues. Finally, we will look at the financialization of access to water with emphasis on the Colombian case and analyze the banking and financialization of community management associations.

## 2. Methodology

The field research took place mainly in the Antioquia department. However, several trips were made to Bogotá, to meet representatives of government water and sanitation institutions, as well as in the Boyacá department, to attend the National Assembly of Community Water Management Associations. The research was conducted using qualitative research methods. Participatory observations, semi-directive interviews and informal discussions were conducted with NGOs, financial cooperatives (Confiar and CFA) and legal representatives and administrators of about ten community water supply associations in the Central and Western Cordillera region of the Department of Antioquia, located mainly in the rural peripheral areas of the Municipality of Medellin. Extensive exchanges and key informant interviews have made it possible to collect data in informal contexts in which information is often transmitted orally (Kumar, 1989; De Sardan, 1995). The consultation and analysis of

written sources from financial cooperatives and community management associations (e.g., registers, meeting minutes, secondary quantitative and qualitative data) were also carried out upstream.

## 3. Theoretical framework: the ambivalence of financialization

According to Epstein's (2005) widely used definition, financialization is "the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international levels". The concept of financialization is characterized by its ambiguity given the diversity of the nature and functions of the financial practices and transactions to which it refers (Fine, 2012). Servet (2006) identifies four mechanisms that underlie financialization: the monetarization of expenditures, increasing financial intermediation (savings and credit), the financialization of risk protection and the development of speculation.

Even if there is no simple, fixed and generally accepted definition of financialization, a trend is emerging for functionalist theories (Lapavitsas, 2011). In the literature on the democratization of finance, the concept is often defined and addressed by two major Marxist and post-Keynesian approaches, as well as by a series of heterodox theories derived from these two approaches. Even if some approaches such as everyday life theories, for example, go beyond the global vision to focus on the financialization of individual life, the vast majority of approaches focus on supply and insist on structural changes. In this sense, financialization would be imposed on individuals from above. The added value of these approaches lies in the fact that they help to think about the structural transformation of capitalist economies over the past three decades, with a particular focus on its social implications (Lapavitsas, 2011). However, they do not analyse what is happening on the demand side except by explaining that banks have extended their activities to individuals and that households are increasingly involved in the financial sector, both as debtors and as asset holders. Households are encouraged by structural elements and appear to be rather passive actors undergoing the process of top-town financialisation. The "demand" approach that we will adopt in this case study involves questioning the financial practices of individuals and the needs they meet, in this case the grassroots organizations involved in water management in Colombia.

### a. Functionalist theories

According to Marxist political economy theory, financialization is defined through systemic changes in mature capitalist economies. This approach links the growth of finance to increasingly inefficient production. The surpluses generated by multinationals cannot be absorbed by production, which leads to stagnation. To overcome this stagnation, capital has shifted towards circulation and speculative financial practices (Lapavitsas, 2011).

This link between the rise of finance and the decline or stagnation of production can be found in the post-Keynesian approach. Epstein (2005) also notes the shift in capital investment from production to finance. However, the post-Keynesian approach focuses more on the negative effects of the rise of finance on production. Thus, the decline in the performance of the real sector is largely explained by the boom in the financial sector (Lapavitsas 2006). This explanation is based on the concept of the annuitant creditor who, by relying on neoliberal policies, has favoured the financial sector in terms of investment at the expense of the industrial sector (Crotty, 1990; Pollin, 2007 and Epstein, 2005).

Other approaches from the heterodox economy and sociology are to be noted. Arrighi's (1994) historical theory refers to a model of cyclical evolution of hegemonic capitalist economies in which financialization represents a season, characterized by the decline of productive power and the emergence of the financial sphere. The authors of the Regulation School of the 1990s, for their part, focus on the new regulatory regime that has developed around financial markets (Boyer, 2000). In particular, they examine the negative effects of these new regulations on growth rates and production (Aglietta, 2000). Straddling between economics and economic sociology, some researchers have focused on maximizing shareholder value and its problematic effects on employment and work (Lazonick and O'Sullivan, 2000). Others from sociology and economic geography have focused on the broader social impact of financialization (Leyshon and Thrift, 2007).

Finally, the everyday life approach analyses the financialization of individual life (Langley, 2008a). It is interested in the deployment of finance in everyday life by adopting a cultural perspective. This approach has moved away from the macro level of analysis to focus on the citizen as an investor. The idea behind it is that the introduction of financial products and services for a large part of the population allows finance to take root in daily life, thus distinguishing it from the idea that finance would be reserved exclusively for elites and pensioners (Erturk et al., 2007a). The constitution of financial capitalism is explained by discourses and narratives that point to individual responsibility, as well as evaluation and risk-taking in financial management (Martin, 2002). This approach has questioned "popular finance" (Aitken, 2007), a term that refers to the implementation of measures aimed at the financial inclusion of low-income and middle-class households through various financial products such as credit, mortgage loans or the funded pension system (Waine, 2006; Montgomerie, 2006; Langley, 2008a). Everyday life theories show that the democratization of finance is not only due to increased financial flows, but to a convergence of finance and life cycles (Van der Zwan, 2013). In parallel with the financialization of daily life, we observe how individuals and households turn to financial markets to meet their basic needs. They therefore participate in financialization and appropriate it through their practices. It remains to be seen why and what factors are driving these players to take up financial services.

**b. Financialization from the bottom up**

The bottom-up approach to financialization looks at the intensification of the financialization of social relationships (Servet, 2006) by questioning the practices, needs and aspirations of individuals. The use of financial services and products appears necessary for a large part of the world's population in order to meet a multiplicity of needs and ensure their living conditions (Baumann et al., 2018). Several studies provide an understanding of what drives individuals and groups of individuals to use financial services.

One of the explanations given is that of the new aspirations for consumption. The diversification of household consumption and the considerable increase in the accumulation of goods and the use of paid services increase monetary needs. "Owning and having at one's disposal prevails over being and becomes a mass behaviour, while everyone believes that it distinguishes them from others and individualizes them. "(Servet, 2006: 41). James (2015), for example, focused on the development of credit and debt among the new South African middle class. Her study shows that these new financial practices meet, among other things, the aspirations of social mobility and the demand for resources. It describes the profile of reasonable and ambitious South African individuals who have a responsible attitude towards

consumption but who nevertheless take on debt for the education of their children and important events, such as funerals and weddings.

Another explanation lies in new modes of protection against individual and collective risks relating to persons or their property (Servet, 2006). This protection, which is generally provided by the welfare state, employer or savings account, is now increasingly the responsibility of individuals to pay for financial products to protect themselves against life's uncertainties (Van der Zwan, 2013). These new forms of protection respond to an individual insurance logic (Servet, 2006). The terms and frequency of financial transfers related to risk protection are based on the choices of individuals. Saiag (2011) shows with her surveys of the sub-proletariat of the city of Rosario in Argentina how, in order to cope with income instability, the majority of households put in place a diversity of savings and debt practices, in this case on the margins of financial institutions and before they were covered by the government's social protection system.

Social reproduction also plays a central role in understanding financial practices. Morvant (2006) and Guérin et al (2013) show how members of microcredit loan groups in Mexico and India appropriate financial practices and adapt them to their own habits. Borrower groups overlap with existing debt and credit relationships. In order to form new groups of borrowers, for example, leaders select members based on their individual needs and creditworthiness, in order to meet the group's needs. They mobilize information exclusively known to persons already belonging to comparable financial circuits. These appropriation practices are accentuated by the fact that some groups aim to replicate pre-existing social and financial networks (Guérin et al., 2011).

**c. Financialization as a means of resistance**

Inspired by Gramsci's work on Politics as Praxis, the Organical Political Economy (OPE) movement focuses on political actions rather than functions (Pitluck et al., 2018). OPE approaches, unlike functionalist theories, do not share the idea that financialization is linked to a certain stage of capitalism or results from a reorientation of capital towards financial markets. They argue that financialization results from a set of relationships and institutions born as a result of political struggles within nation-states or empires, against and between state and financial elites (Pitluck et al., 2018) while emphasizing the diversity of financialization processes in different contexts (Becker et al. 2010 ; Bohle 2018).

One of the arguments of this approach, on which my hypothesis is based, is that financialization can be seen as a tool to protest against the government and reduce financial dependence. Appel (2014) explains, through surveys conducted among members of the Alternative Banking Group, which was very active during the Occupy Wall Street movement that began in 2011, that financialization generates its own dissatisfaction, giving rise to resistance that can lead to alternative economic policies and systems. The individuals interviewed by Appel claim that their professional experience in financial entities and their expertise in this field are an additional motivation and are used to resist and propose alternative banking systems.

For his part, Mann (2017) highlights financialization as a means of reducing the financial dependence of Quebec independence movements on the Anglo-Saxon federal government in the 1960s. In his analysis, Mann explains how independentists have appropriated the language, symbols and financial tools to set up a cooperative credit system, through the

creation of credit union networks, in order to reduce the use of Canadian bond markets, in a context in which the central government used financial mechanisms, such as increased bond yields (Pitluck et al. 2018), which simultaneously increased provincial borrowing costs and encouraged capital flight from Francophone regions (Mann 2017). The *Caisse de Dépôts* was created by the Quebec provincial government in 1965 and later became the main buyer of Government of Quebec securities (Mann 2017).

In the case of the financialization of community management associations in Colombia, as discussed below, although the process of financialization has been facilitated by public programs and policies aimed at the financial inclusion of the poorest (Lavinas, 2018; Badue and Ribeiro, 2018), the use of credit from financial cooperatives is seen by some organizations as a way of affirming their community status and reducing their dependence on the state as a predator.

**d. A broader vision of the market society**

Polanyi and Fraser's work on capitalism and the market economy helps to think about the concept of financialization in an ambivalent way, adopting a non-evolutionary vision. In the Great Transformation (1957), Polanyi analyses the political and social changes that occurred in England during the development of the market economy. One of his main conclusions is that the nation-state and the new market economy are not separate entities, but constitute the same object that defines as the "market society". According to Polanyi, it is too simplistic to think of the political economy in terms of the opposition between the market and the State. The market system has developed and stabilized through the establishment of market institutions and the regulatory function of the State. Economic integration, understood as what provides the unity and stability of "empirical economies", is ensured by the concomitance of three principles; reciprocity, redistribution and the market (Servet 2007). In this sense, economic activity takes place in an economic and social context, and markets evolve and transform through what Polanyi defines as the reintegration and disintegration of market forces. It is the idea of the double movement that shapes the market society. On the one hand, the forces of economic liberalism are trying to extend the influence of the market, and on the other hand, society is reacting to the dismantling of the welfare state and demanding more social protection. The result is a political struggle between the reintegration forces of society and market forces.

Fraser also goes beyond the traditional definition of capitalism by characterizing it as an "institutionalized social order" (Fraser, 2014). This broadening of the definition of capitalism makes it possible to consider its understanding beyond its strictly economic properties. According to Fraser, there are three "external conditions of opportunity" that ensure the production of value: nature, politics and social reproduction. These conditions are conceived in terms of institutional separation: production/reproduction, production/policy and production/nature. These boundaries have been historically defined and their position is the result of social struggles. They can therefore be moved (Legault, 2018).

In the case of the water community organizations in Colombia, we will see how, in order to assert their community status and their mode of operation, which is neither state nor private sector, they oscillate between reintegration and disintegration forces and constantly shift borders through their financial practices in particular.

## 4. Community-based water management in Colombia

### a. Context

In Colombia, one of the countries with the highest surface freshwater availability in the world - it has "a surface flow three times higher than the South American average and six times higher than the world average" (Carrascal, O. N. (2009) - water-related conflicts are legion. Unequal geographical distribution may partly explain these conflicts. Indeed, water availability is relatively scarce in the Andean region where a large proportion of the population is concentrated and the Magdalena/Cauca region accounts for 13.2% of the availability for 63% of the total population (MAVDT, 2010). Nevertheless, the main cause is to be found in the poor institutional management and misallocation of the precious liquid, resulting in particular from internal political and social problems (e.g., corruption, violence) (Carrascal, 2009). In addition, surface water resources are threatened by strong demand from the mining sector, agro-industry and urban centers (Dupuits & Bernal, 2015).

Although the Colombian government has been working in recent years to develop a national strategy for access to water and sanitation in rural areas, and Bogota has indeed increased the budget allocated to this area, efforts remain insufficient for the time being. Some figures illustrate this delay. In 2015, 80.7% of the population in the urban sector had access to safely managed drinking water services, compared to only 39.7% in the rural sector (World Bank, 2015). As a result, public and private investments in rural water in 2013 accounted for only 8.5% of total investments (DNP, 2014). Rural coverage remains relatively low at 59% (WB, 2016: 8).

Faced with the inability of private investors and government to close the gap between rural and urban areas, community management represents a real alternative to dominant models. In particular, it has established itself in rural areas and has demonstrated its ability to supply the poorest populations in the most remote areas, as well as on the outskirts of cities, where other service providers have failed. There are more than 12,000 water community organizations providing water to approximately 11 million people (Bernal et al., 2014; Smits et al., 2013).

### b. A management model: an ideology

Community management is characterized by the participatory and voluntary management of rural and peri-urban water supplies. There are several different administration systems: *Junta de acción comunal* (neighbourhood or community organization), *Junta administradora* or user association. They include members of civil society, economic, political and social rights activists and defenders, and modest or poor families, usually from peasant, indigenous or Afro-Colombian communities (Restrepo in Moncada & al., 2013). In principle, they have at least one plumber and one secretary who are responsible for administration, management and maintenance, a steering committee who is responsible for the management of the service and internal control, a general assembly of users for decision-making and user follow-up and finally controllers responsible for supervising the service (Smits y Urrea in Moncada & al., 2013).

In their constitution, they do not refer to "capital" but to "assets" and are composed of partners who have rights and duties and not mere clients. Decisions are taken according to a quorum and majority voting system or based on community deliberations (Salazar-Restrepo, 2011), thus aligning with the principles of the social and solidarity economy, which aim in particular

at "a collective functioning based on equal voting among members (according to the principle: one person = one vote)" (Laville, 2011 : 103). In addition, the water supply and treatment systems put in place use alternative technologies that respect the environment, with the protection of water sources now emerging as a priority for this management model. Finally, the offer is focused on the needs of communities and relatively low tariffs are applied (Gómez-Bustos, 2012). It should be noted that for rural and disadvantaged populations, community management is often the only way to access water.

The "water communities" have broken away from their confinement over the years and have organized themselves into a network - an articulated network that now extends throughout Colombia. Each region has an umbrella organization that includes many community water systems. These regional organizations are then represented at the national level by the *Red Nacional de Acueductos Comunitarios*. At the same time, local NGOs revolve around these organizations engaged in advocacy and representation work with the Colombian government, international organizations and other foreign entities. This national coalition, which has been set up as a genuine movement to defend the right to community water management, also has a good capacity to mobilize. Proof of this is the popular legislative initiative for the right to community self-management, launched at the end of 2017 by the *Red Nacional de Acueductos Comunitarios*, which aims to review previous laws and recognize their specificities. This initiative also seeks government support for water quality monitoring and improvement, as well as wastewater management.

**c. Lack of historical recognition**

Historically, the Colombian government has favoured public, private or PPP management models, thus neglecting the community management model. Called by some specialists as the "3rd economic option" (Moncada & al., 2013), community management has indeed shown that it has nothing to envy to dominant management models, both in qualitative and quantitative terms. The history of public services providing Colombian drinking water can be divided into three main phases. Until the end of the 19th century, water supply was provided by private individuals at the local level. Then, from 1910 onwards, the State gradually guaranteed supply services, starting with municipalities and continuing until full nationalization in the 1990s (Valencia, 2010). Finally, at the end of the 20th century, the reform of public services, aimed at overcoming the government's difficulties in providing access to drinking water, marked a turning point towards the privatisation of the sector (Moncada & al., 2013).

More than a hundred years of permanent switchover between the public and private sectors have left little room for the "3rd option". However, it is important to note that there have been some exceptions to this trend. The government did promote community self-management on an ad hoc basis, notably through the launch in 1962 of a national basic sanitation programme in rural areas oriented towards community management and, subsequently, by building water supply systems for rural communities in the early 1970s (Moncada & al., 2013). Law 142 of 1994, resulting from the reform of public services, which emphasizes technological innovations and efficiency by focusing on medium and large water distributors, offers the possibility for individuals, private companies or organized communities to manage and administer water systems, and in many cases, to become owners (Moncada & al., 2013). This law, which effectively recognizes community water management associations, without mentioning the community management model (the term used is "organized communities"), is insidious in many respects. Indeed, since there is no specific regulation at national level for

such organisations, they are required to meet the same standards that regulate large companies in the market. As a result, they are forced to compete with public and private institutions in terms of spending, taxation and water quality standards. In addition, they must hold environmental licences and report their administrative and financial management to public accounting (Dupuits & Bernal, 2015). These requirements are obstacles for these modest structures, which struggle to finance themselves and comply with the regulations set out by the Commission for the Regulation of Drinking Water and Basic Sanitation (CRA) (Valencia, 2008), which promotes the competitiveness of public service providers and aims to guarantee the coverage of public services at reasonable tariffs (WB, 2016). CRA resolution 717 of 2015 reduces community water systems to "small providers" engaged in commercial economic activity, ignoring their community, solidarity and non-profit operation. As well as resolutions 825 of 2017 and 844 of 2018, they are obliged to apply an increasingly complex pricing methodology, thus ignoring the historical methodology of these organizations, which consists in defining the contribution per household, at the general assembly, according to local payment capacities (Red Nacional de Acueductos Comunitarios, 2018).

On this basis, the successive legislation and national development plans implemented by the Colombian government represent, in reality, considerable constraints and can be seen as a means of curbing the development of community systems. They can, for example, be used as a means of pressure to force small aqueducts to become service providers or to disappear (Moncada et al., 2013). It should be noted that many of the new water distribution companies are the result of the transformation of community associations, which, according to their critics, are unable to meet the technical and structural modernization requirements (Llano Arias, 2015). Others disappear or are simply "privatized" by public or private companies for lack of financial means to survive. As a result, only 17% of associations are registered with the government, with unfair treatment discouraging them from normalizing (Chaves & García, 2009). This lack of recognition seems to go far beyond regulations and technical requirements. It is economic, political and ideological. The very mention of the community management model is problematic within the state sphere, as official documents do not at any time recognize this management model as such. Decree 1898 of 2016, for example, uses the term "differentiated schemes" in rural areas to designate community water systems, defining them as temporary alternatives.

**d. Weaknesses in the community management system**

A study of several community aqueducts in the Valle del Cauca department, which focuses on the financial aspect and post-construction financing mechanisms, highlights the financial difficulties they face and the lack of external technical support (Domínguez & al., 2016). This study shows that capacities and resources vary widely among associations. The most developed systems rely on salaried staff, a tax, investment and income system. On the other hand, smaller companies do not have the organization and resources to undertake even the most basic tasks. Most associations use additional financial contributions and, sometimes, user participation in the event of damage requiring repair, for example. In all cases, the lack of financial resources for the operation and maintenance of water systems, as well as the lack of technical expertise, have been identified as the main risks of failure for these community management systems (Van den Broeck & Brown, 2015; Domínguez & al., 2016). According to Smits et al (2013), external post-construction support should be an integral part of community management, since the costs of technical or financial expertise are too high to be borne by simple water-related taxes. Moreover, the limited number of users does not allow economies of scale to be achieved to generate revenue to access such expertise.

Despite the lack of constitutional recognition and financial fragility facing community management associations, their numbers continue to grow in rural areas. In this context, there has been a change in funding strategies within some community management associations, often the most advanced in terms of functioning and structures, located mostly in the Central and Western Cordillera region of the Department of Antioquia and more particularly in the peripheral rural areas of the Municipality of Medellin. The latter have begun to turn to other sources of financing and have adopted new financial practices, such as the use of bank credit, in order not to depend on government subsidies from the *Sistema General de Participaciones* (World Bank, 2016 p. 19) and to affirm their community status.

## 5. New mechanisms for financing access to water

### a. The financial gap ideology

To understand the increasing importance of finance in community management practices, it is necessary to review current strategies for financing access to water. The obstacles to privatization of the sector and the difficulties faced by public services in ensuring access to water have given way to new strategies based on the logic of the market and encouraging the participation of the private sector, putting aside the responsibility of the State to provide access to water.

The 1992 Dublin Conference on Water and the Environment marked a turning point in water management policies by declaring water as an economic good and having economic value through its various competing uses (WMO, 1992), thus aligning with the neoliberal approaches to development that emerged in the 1980s and 1990s (Baron et al., 2019). This implies the need for a cost recovery model to avoid unnecessary consumption (Koudstaal et al. 1992). Scarcity management then takes a central role in water supply policies (Mehta, 2005) and is accompanied by a desire to prioritize individual water rights by separating them from the land and endowing them with private property characteristics (Ahlers and Merme, 2016). These neoliberal water sector reforms will therefore focus on stakeholder participation (private sector and consumers) and decentralization of decision-making (Ahlers and Merme, 2016) based on pricing mechanisms that are expected to lead to efficient allocation of water resources (Baron et al., 2019). In general, there has been a shift from supply-side policies (development of water supply) to demand-side policies, particularly through payment (Baron et al., 2019). In many cases, the state is shifting from being a provider to a facilitator of water supply and sanitation services (Baron et al., 2019).

The Colombian government is in line with the international trend. To remedy poor institutional management and the misallocation of water, the government launched a decentralization policy in the 1990s, accompanied by a strategy of "corporatisation" of public companies and involvement of the private sector (World Bank, 2016). Concession contracts have been regulated since 1993 (article 32 of Act No. 80 of 1993), thus allowing the private sector to provide all or part of public services. Concession regulations will subsequently be integrated into public-private partnership schemes (Article 2 of Law 1508 of 2012) (USAID, 2016). Law 142 of 1994 that regulates water and sanitation services, defines public utilities as new entities whose sole purpose is to manage the provision of public services. The creation of these specialized entities was intended to "corporatize" the management of public services, unlike the municipality providing and managing the service directly" (World Bank, 2016). The National Council for Economic and Social Policy (CONPES 091 of 2005) confirms that

the policy focuses on the adequacy of the structure and business models of public service providers. "In particular, a programme to modernise the company must be implemented and private operations and services encouraged." (WB, 2016 p.14). The Colombian State has gradually adopted the role of planning and regulating agent. It is limited to monitoring the actions of the private sector and "corporatized" public companies (Sánchez y Villegas in Valencia 2004).

Following the partial withdrawal of the State and successive failures of the private sector, which has faced significant challenges and disappointing returns (Ahlers and Merme, 2016), and PPPs that have faced multiple obstacles, have noted a gap in intervention strategies to ensure access to water for populations (Baron et al., 2019). This gap is mainly invested by the discourse on the financial gap (Bayliss, 2014), which shifts the issue of access to water from a development issue to a highly financial one (Ahlers and Merme, 2016). According to WHO estimates, $70 billion should have been spent each year on access to water and sanitation to meet the Millennium Development Goals (Hutton et al., 2008). This financial gap ideology can be considered as a strategy for the financialization of access to water, insofar as the failure to provide this basic service, which in reality depends on a multitude of complex factors, is reduced to a simple financial need (Bayliss, 2014). The lack of access to water in developing countries is therefore now perceived as a "financing gap" (Foster and Briceño-Garmendia 2010; OECD, 2010).

WWC, the OECD and the World Bank, for example, are trying to attract new investment groups (investment funds, pension funds or multilateral banks in particular) to finance major infrastructure in the water sector (Ahlers and Merme, 2016). In Colombia, the AquaFund fund, set up in 2008 by the Mexican company FEMSA Foundation and the Inter-American Development Bank, financed pilot projects on access to water and sanitation in rural areas with a total of $1.3 million in 2016[1]. Donors include major international cooperation firms and agencies, such as the Siemens Foundation, the Japanese Special Fund for Poverty Reduction and the PepsiCo Foundation. These projects were implemented by Give To Colombia, an organization that facilitates the channelling of resources to social projects in Colombia and Latin America (La Republica, 2016).

**b. Credit for water**

In the field, different adaptation strategies and practices of individuals and local communities are observed. The combination of commercial microcredit, which boomed in the 1980s, and access to water, which has been pro-market since the early 1990s, represents one of these new strategies for financing access to water (Baron et al., 2019). Microloans are mainly used by households to make investments related to access to water (e.g., filters, network connection, consumption) (Mader, 2011). The Gates Foundation predicts the development of this new combination by 2015 to 12 billion water loans benefiting 125 million households worldwide (Mehta, 2008). Even if these predictions have not materialized, the practice of microcredit in the water sector has actually accelerated in recent years, particularly through NGOs and their projects funded by development cooperation agencies and private donors (Baron et al., 2019). The World Bank, for example, supported microfinance for water access in Bangladesh, Indonesia and Kenya, and explained that the link between microfinance and water represented a growth opportunity within the framework of the Sustainable Development Goals 2030 agenda (Kolker et al. 2016). Following this logic, major foundations, such as the IKEA

[1] https://www.iadb.org/es/sectores/agua-y-saneamiento/aquafund/inicio.

Foundation, the Michael and Susan Dell Foundation and the Bill and Melinda Gates Foundation, have largely supported NGOs in this type of intervention. The "WaterCredit" programme coordinated by the NGO Water.org, located in Kansas City, which benefited from the PepsiCo Foundation's donation ($8 million in 2011), would have 1.6 million water credits issued since 2017 with its partners around the world, thus reaching 7 million people (Baron et al., 2019). Specifically, according to the recommendations, these credits should be used to finance household water storage tanks, connections to water supply networks, boreholes and wells, or filtration systems (Water.org, 2013). Most of the funding models defined by Water.org involve a pre-existing water supply network (Baron et al., 2019), provided by government, the private sector or a community management association.

In Colombia, there are several types of credit models for access to water. The most well-known is the one that the State has put in place, to complement the traditional State financing schemes, General Revenue Sharing System, General National Budget and Royalty schemes (world bank, 2016), specific credit lines to finance the water and sanitation sector through the agricultural sector financing fund (Finagro) and the territorial development financing fund (Findeter), both of which are mixed economy companies operating as second-tier banks. Between 2010 and 2017, for example, Findeter financed the water sector with 1.54 billion Colombian pesos (about US$474,000), 85% was allocated to the public sector and 15% to the private sector (Findeter, 2017).

Colombia's largest public utility company, Empresas Publicas de Medellin (EPM), founded in 1995 and owned by the Municipality of Medellin, has set up programs to provide credit to households to enable them to finance access to water, among other things. The Network Connection Funding Program (NCFP) is an EPM initiative designed to provide access to water services for low-income households in the peri-urban areas of the Aburra Valley. In the same vein as Water.org, the program offers a long-term credit (about 10 years) at a low interest rate to people who do not have access to the credit so that they can finance their connection to the utility water supply and sewer system. According to EPM, between 1999 and 2011, US$45 million was lent through the NCFP, which would have enabled 10,163 households to be connected to water services and 13,917 to the sewer system between 1998 and 2010, benefiting 55,670 people (Avendaño, 2011). This experience has been relatively well documented in terms of quantitative data. However, little information is available on the qualitative consequences of household debt practices. It should be noted that in recent years, the city of Medellin has recorded one of the most expensive water tariffs in the country causing many households to disconnect (López, 2013) - 46,000 households were disconnected in 2011 for non-payment (EPM, 2011). In 2007, the average operational income per cubic metre of EPM in Medellín was USD 1.43, while operational costs per cubic metre were USD 0.64 (Fernández et al. 2009). EPM thus achieved the highest gross margin in Latin America in that year (Fernández et al. 2009).

There are also micro-credit projects for access to water. The international microfinance institution ECLOF has been working for some time in Colombia on a microcredit line for the marketing of equipment (water filter with specialized technology), with the aim to enable rural communities to consume drinking water. Drinking water was subsequently provided by the communities themselves through their self-managed water systems, which have since been strengthened[2]. The AVINA Foundation has also experimented with a microcredit project for the construction of a community water supply (Acuaplus). This is a project to support

[2] Interview with the ECLOF Colombia director on 26 March 2019 by email.

communities in the Municipality of Turbo in the Antioquia department to develop infrastructure for drinking water supply and banana plantation irrigation. The leaders of nine small banana-producing communities managed the construction of an aqueduct of more than 74 km to supply drinking water in order to solve the problem of water quality and quantity. The main objective was to provide drinking water to 771 households. The project included the construction of a supply well, a pumping station, a power plant, a treatment plant, storage tanks, a conduction network and a home distribution network. The total cost of the project was almost $1 million. It was financed through a microcredit programme under the direction of the Corbanacol Social Foundation, so that municipal, departmental and state entities can coordinate to manage resources and construction (Avina, 2011). This experience appears to be one of the few documented projects involving the self-financing of infrastructure through a credit mechanism for grassroots community-based water management organizations in Colombia.

## 6. The financialization of the water community organizations

### a. The banking of aqueducts

The banking of community management associations began about ten years ago. It is part of a broader context of financialization supported by specific public policies at the national level. Over the past two decades, the Colombian government has put in place a series of measures to improve financial inclusion. Accessibility to financial products and services has increased in particular through product simplification, incentives for microcredit and insurance provision, as well as the development of mobile banking services (Cano et al., 2014). The government launched Banca de las oportunidades in 2006 (Conpes 3424 of 2006), a banking policy that aims to coordinate and stimulate existing financial intermediaries, such as Microfinance Institutions, financial cooperatives and NGOs and other financing entities, in order to promote the financial inclusion of the poorest (Tafur, 2009). Decree 2233 of 2006 reinforces this strategy by authorizing banks to provide financial services through non-bank correspondents (Min. de Hacienda y crédito público, 2006). Between 2006 and 2013, the bank coverage of municipalities increased from 72.4% to 99.9%, mainly due to the expansion of correspondent banks promoted by Banca de las Oportunidades (Cano et al., 2014 :11). In addition, the rate of individuals with a financial product such as savings or credit increased from 45.1% in 2009 to 67.1% in 2012 (Cano et al., 2014: 11). The increase in financialization is partly due to the breaking away from the rigid structures of the traditional banking system (Tafur, 2009). More recently, an Intersectoral Commission for Financial Inclusion was established in 2015 by decree (2338 of 2015) as part of a national financial inclusion strategy, which aims to define policy, guidelines and tools to improve financial inclusion. Its priorities are the promotion of the use of financial services at urban and rural level, access to credit for small and medium-sized enterprises, financial education and the provision of transfer services for excluded populations.

Initially, the State played an important role in the process of aqueducts bankinig. The *Superintendencia de servicios publicos,* which is responsible for controlling entities and companies providing public services, constrained them to join commercial banks or financial cooperatives, through public policies related to the formalization of associations. Bank accounts are required to pay taxes to the National Directorate of Taxes and Customs (DIAN) and receive subsidies from the tariff regulation commission (Guia orientaciones uso y destinación SGP-APSB inversión y subsidios, 2014). However, the State does not appear to be an essential figure in the banking process (Gloukoviezoff, 2010), many aqueducts had

already begun to open bank accounts in order to simplify the financial management that had become complex with the increase in the number of users. Bank accounts are used to centralize the association's financial resources and facilitate the collection of members' taxes.

This bankarisation, whether implemented by public policies or on its own initiative, was the first step towards bringing banking entities and community management associations closer together. The Vereda La Chuscala aqueduct is located in the Municipality of Caldas South of Medellin. Like many aqueducts, La Chuscala was built and managed first by the junta de acción comunal, before being managed by a community water management association. The association has 960 members (families). The fixed tax is 3 USD per month (the fixed tax varies according to the socio-economic stratum) and from 18 m3 users pay 30 cents per additional m3. For a long time, it was the treasurer who kept the association's money. A bank account was opened in the 2000s with Banco Agrario. With the increase in the number of members and therefore in financial resources, this change in the association's financial management practices was primarily in response to a need to simplify financial management and centralize financial resources. It also met the requirements of the Chamber of Commerce, the DIAN and the Superintendency of Public Services in terms of formalizing companies and associations. Finally, as the association's administrator states, the opening of an account was the first step to the legal conditions for accessing credit. In 2015, a new account was opened with a financial cooperative. Currently, the association has 3 bank accounts with three banking entities; a savings account, an account for the payment of member taxes and an account for membership shares with the possibility of having credits with relatively low interest rates.

Some aqueducts use correspondent banks, such as supermarkets, to collect user fees. The Campo Alegre aqueduct, located in the municipality of El Carmen del Viboral South-East of Medellín, is a small rural aqueduct with 346 members living relatively far from each other. In this context, the supermarket (Mercavil) in the village of El Carmen del Viboral emerged as a practical solution to centralize the collection of taxes, which are then deposited in a bank account. The supermarket is cheaper than banks to collect taxes and, above all, it is open every day, which simplifies the task of users who come down to the village once a week on average to sell and buy products.

**b. Access to credit: a bottom-up process**

Following this bancarization, we will try to understand why community management associations have taken up these financial services, particularly "collective" credit. Community management associations have begun to turn to financial cooperatives, which initially offer more flexibility in terms of prerequisites and better repayment conditions than the departmental credits offered by the Department of Antioquia, for example, in order to diversify their sources of financing. They use credit to undertake major renovation or extension work on the network (e.g., pipelines, water storage tanks, water treatment plants), as well as for the purchase of land generally dedicated to the protection and conservation of high-altitude water sources.

Access to credit for community management associations first appeared through relationships with local financial cooperatives. These relationships between community management associations and financial cooperatives are part of a broader local social and solidarity economy network and have been largely facilitated by local NGOs. It is often during events or meetings promoting social inclusion and defending local communities, organized by local

NGOs or financial cooperatives themselves that the rapprochement took place. This relationship quickly evolved into a normalization of the relationship between financial cooperatives and associations, especially since several associations already had bank accounts (savings and deposit accounts) with financial cooperatives. This trend is most prevalent in the Antioquia department and more particularly in the outskirts of the city of Medellin, as shown by the activities of the CFA and Confiar financial cooperatives, the two most active cooperatives with community management associations.

The Confiar financial cooperative, which was founded in 1972 by a group of 33 employees of Renault's assembly company, Sofasa (Envigado), is involved in the implementation of socio-cultural programs and services. The origin of the connection with the aqueducts is linked to the history of the cooperative. The support of social and environmental projects is based on its guideline. These alternative projects break with the traditional financial system. The credits granted to community management associations are part of a credit line for the promotion of solidarity investments. This is a specific credit line for granting credit to NGOs and associations, for example, that do not have access to conventional credit. In the case of community management, there are also sufficiently large aqueducts that do not meet the conditions to benefit from these "solidarity" credits. In 2017, 117 community management associations, the majority of which are located in the east of Antioquia Department, were registered with the Confiar Financial Cooperative. The total savings of the aqueducts amount is about US$1 million. Of the 117 organizations, 14 associations have a credit. The total credits amount is about US$400’000 (Confiar, 2017). The loan officer at Confiar's head office in Medellin says that the "solidarity" portfolio has matured well, thanks in particular to the payment habits of community management associations. Indeed, they repay their loans on time.

The "Cooperativa financiera de Antioquia" (CFA), which was created by the merger of two cooperatives (DonMatías and Coobancoquia) in 2000, has also maintained links with community management associations since its creation. In particular, the CFA Foundation embarked on a social programme to strengthen the capacity of community water systems in the northern Aburrá Valley in 2014, in cooperation with Pro Aburrá Norte and other government institutions. This program offers workshops and training to community leaders on legislative, technical and financial education topics. It consolidates the existing financial interactions between CFA and community management associations, which, according to the director of the Copacabana office in northern Medellin, have grown considerably in recent years. In addition to accounts and credits, private offices have been opened with payment terminals in supermarkets for members to pay their taxes.

**c. The counter-movement**

Beyond the financial link, the aqueducts have found in these financial cooperatives an innovative partnership configuration (Malo and Lapoutte, 2003) that recognizes and supports them in their struggle to defend community management. Indeed, the two entities from the social and solidarity economy share the same values. They "tend to maintain their close relationships with users and their communities" and their governance system is "based on the representative democracy of users as well as their relationship to the local territory" (Malo and Tremblay, 2004: 70). Above all, through this partnership, the associations have found recognition and support in their struggle to defend the right to self-management of water. Today, access to credit goes far beyond the partnership with financial cooperatives, some

associations turn to commercial and public banks that sometimes offer better conditions (Bancolombia and Banco Agrario in particular).

The analysis of community debt and debt practices reveals the ambivalence of financialization. Debt is often perceived as either only positive or purely negative. However, both cases that should be analysed here. This involves taking an interest in communities, their experiences and perceptions and taking a close look at social relationships. It is necessary to go beyond the strict economic definition of debt, which consists in considering it as a monetary sum to be repaid. "Before being an economic transaction, debt must be understood as the basis of human existence" (Guérin in Baumann et al., 2018: 134). Debt is above all a link that feeds social practices and relationships.

The debt contracted by associations is often valued by debtors. It is perceived as positive and synonymous with emancipation for those associations that want to defend their community status and not depend on the government's random support and constant pressure to state or privatize water systems. Located North of Medellin in the municipality of Girardota, the Juan Cojo Water Users' Association, which has 950 members (families), is almost organized as a company and meets all the conditions of the superintendence in terms of employment contracts, taxation and social security for employees. The formalization of the water community organizations required by the government has led to the inevitable increase in tariffs, since it involves investment in infrastructure. The price increase was difficult to explain internally. It took a lot of negotiating work between the 52 delegates of the restricted meeting, the 5 members of the steering committee and the members of the community. The municipality of Caldas has nevertheless shown its support on 3 occasions in recent years by offering water analysis equipment and laboratory instruments, but the community refused because it wants to keep its autonomy. According to the association's legal representative, the Municipality's participation delays projects since their contribution takes time to arrive and experience shows that it is used for political purposes. The association therefore preferred to contract two credits for the most important works. The first loan was about 9,500 USD and was used to extend the network. The second loan was USD 16,000 and contributed to the purchase of land and the construction of a wastewater treatment plant worth USD 47,000. According to the administrator of the aqueduct, these credits were made possible thanks to the confidence of the financial cooperative. A trust that has a very important symbolic value. In the context defined above, the credits granted by cooperatives go far beyond their economic function. They are synonymous with recognition of their community identity, ideology and practices. The recognition of a right to self-management, the right to self-determination, the recognition of a model marginalized by the State and competing with private companies. For these communities, "being allowed to go into debt by virtue of their ability to repay - and not by virtue of their status as dominated or assisted - is in itself a sign of recognition and emancipation, the importance of which must be fully appreciated. "(Guérin in Baumann et al., 2018 : 143).

The Chuscala users' association is in the process of contracting its third loan. The first credit was mainly used to launch the credit history. The second loan, which was worth almost twice as much (about 15,000 USD), was intended for the extension of the network and the construction of water tanks. The current loan of nearly 29,000 USD is intended for the construction of several water reservoirs. Even if there are internal conflicts because of some users who do not pay their tax on time, the loans are still repaid on time as the association has 7,500 USD of "balance" per month and between 2,500 and 3,000 USD for investment. With this the loans are easily repaid. "The practice of credit is not new among some associations

that carry it out at another level. Some of them offer the possibility for new members who cannot afford to pay the fixed membership costs to join the association and connect to the network on credit. Indeed, the vast majority of users cannot pay the fixed entry fee of 185 USD (price which includes the purchase of a water metering, two water valves and the workforce). The association therefore finances them over 24 months (about 8 USD per month) without interest or a maximum of 1%.

**d. Behavioural changes**

Debt can also be perceived as negative if we analyse the speeches of some representatives of associations who highlight the social transformations resulting from this process of financialization. The representatives of the associations interviewed expressed their concerns about the future of the community management model, which they believe is being lost through the new ways of operating.

The question of formalization is central to the evolution of operating methods within associations. As mentioned above, the administrative formalization of associations is required by the government mostly for quality control and taxation purposes, among other things. From the associations' point of view, the association's registration with the Superintendency of Public Services and the Chamber of Commerce makes it possible to apply for public subsidies through the municipalities, but it is mainly necessary to be able to access credit from financial cooperatives and banks. While it was thought that the willingness to access subsidies was the main lever for the formalization of community management associations, it was noted through the interviews that access to credit appeared to many to be the real motivation for formalization. This formalization implies, for example, the adoption of the tariff system defined by the tariff regulation commission (*CRA*). The setting of tariffs based on internal negotiations is also an important aspect of this management model. Indeed, in addition to adapting to the socio-economic strata of members (which is also the case with the tariffs imposed by the *CRA*), monetary and non-monetary arrangements are possible for families unable to pay full taxes, through the practice of informal credit (see above) or the contribution of labour during community work, for example. With the adoption of rigid tariffs set by the government, the risks of disconnection of households increase, as shown by Lopez (2013) with the case of the *desconectados* de Medellin.

Some associations have become as competitive as companies in the sector. The most developed associations almost entirely comply with the conditions set out in Law 142 and the tariff regulation commission (*CRA*). They meet all the contractual conditions of employees in terms of social security, are subject to taxation and offer a quality of water comparable to that provided by public utilities. "Today, we are practically a public service provider like any other," says the administrator of the Juan Cojo aqueduct. The legal representative and the administrator believe that members are increasingly behaving as customers and perceiving the association as a public company. They are less and less involved in decision-making processes as reflected in the declining attendance at meetings and general assemblies. At first glance, this may seem positive because it proves that everything works well, that members are satisfied with the service. However, participation is a fundamental aspect of the community management model. With its disappearance it is the community functioning that is being lost. The community sometimes does not even realize the loans that are made to carry out work. According to the association's legal representative, it is essential that the community be involved and participates in order to be able to defend the association against privatization policies at the national and international level. The general assembly is the only one that can

act in the face of direct threats of privatization. At the same time, the steering committee has less need to solicit the community since the credit fills this resource gap that was previously filled in monetary or non-monetary form by the association's members.

## 7. Conclusion

The literature on financialization is relatively extensive. As we have seen with functionalist theories, the literature on the democratization of finance focuses on supply (e.g., the evolution of risk assessment, instruments, infrastructure) but does not look at what is happening on the demand side. For this case study, a demand-driven approach was adopted, based on academic work that analyses financialization from the bottom up. We analyzed h how financialization fitted into the practices of the actors and to which needs and aspirations it responds, in this case, to the point of view of grassroots organizations in the water sector.

In a Colombian context marked by conflicts related to water management and pro-market strategies for access to water that are in line with the trend at the international level, community water management is struggling to make its voice heard. The lack of specific legal recognition of community management organizations and the lack of government support for them, both financial and technical, have fostered the emergence of new financial practices within community management associations. The new financing strategies adopted by a minority of associations, most of which are located on the outskirts of the city of Medellin, are as unique as they are paradoxical in that they tend to be uniform.

The analysis of these practices and more particularly the analysis of debt reveals a counter-movement (Polanyi, 1957). These practices have a political dimension, as associations appropriate financial services in order to become financially self-sufficient and to resist the government and its control. Innovative partnerships with local financial cooperatives strengthen their community status through technical support and community capacity building, but especially through the establishment of new financing mechanisms such as credit. The use of credit reflects the willingness of communities to emancipate themselves financially, but above all politically. This allows them to improve water distribution systems, whether at the level of institutional or technical management, without depending on the unpredictability of government subsidies, as well as on the political control and instrumentalization that the government could exercise following its financial or infrastructure contribution. In this way, they affirm their community identity. However, the result of this process of financialization is paradoxical. Their practices are being transformed and their functioning is part of a pro-market logic based on BoP markets approaches (Elyachar, 2012) with the transfer of risk and responsibility to communities. The formalization with the government, required in particular to access credit, requires associations to meet a certain number of conditions and to adopt an entrepreneurial operating mode. This formalisation implies, for example, adopting the tariffs set by the Tariff Regulation Commission (*CRA*). This measure undermines the Community's ability to operate at the level of internal negotiations and arrangements for setting tariffs, which in particular provide flexibility for the most vulnerable households. In addition, collective action, which is at the heart of the community management model, is affected by the use of credit and the resulting improvement in infrastructure. Members are increasingly behaving like customers and participating less and less in the decision-making processes through meetings and general assemblies.

We observe simultaneously the role of the State is decreasing and entrepreneurial practices are emerging that are fully in line with a pro-market approach. Thus, the associations

paradoxically move away from the community model initially defended and align themselves with public policies aimed at the corporatization of water management, notably through Law 142 of 1994 and the guidelines dictated by the National Council for Economic and Social Policy (CONPES 091 of 2005). In the discourse, these new financial practices appear to be emancipatory. However, the first results of the surveys show that the way communities operate is being rethought. This is why it is now necessary to conduct in-depth investigations in order to analyse the consequences of this process of financialisation. The analysis of these social transformations is fundamental to understand the evolution of community management models and the processes of inclusion and exclusion related to this type of process. It will also contribute to the search for innovative financing strategies for access to water, while contributing to a better overall understanding of the functioning of "inclusive markets" and mechanisms for the commodification of basic services.

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