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When Means Undermine Ends: An Extreme Case of Financialised Water Privatisation in Brazil

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Abstract

The privatisation of water and sanitation services has accelerated significantly in Brazil, driven by a shift towards financialisation, since the regulatory change enforced by the 2020 reform. While the impacts of financialised management are widely debated, a critical gap remains in empirical research that connects the mechanisms of financial engineering with non-compliance with the Human Rights to Water and Sanitation. Through the lens of financialised privatisation, this study investigates how this financial logic exacerbates the dissociation between the global capital extraction and the social objectives of service provision, focusing on the concession of the Metropolitan Region of Maceió. Through an analysis of BRK Ambiental, a subsidiary of the private equity firm Brookfield, the research demonstrates the social-spatial inequities within a framework of profit maximisation, natural monopoly, and power asymmetry. The findings reveal that the operator is highly leveraged, prioritising the payment of debt interest over staff wages and essential infrastructure investments, despite the persistence of critical gaps in access. This has resulted in actual tariff increases and a continued reliance on public funds, despite the presence of private management. This dynamic is particularly damaging in areas with impoverished populations, resulting in an increase in complaints and protests from users regarding water shortages and excessive charges. The article concludes that financialised privatisation reconfigures the sector to extract value for global capital, tending to decouple the means from the social ends of service provision.

Keywords: financialisation; privatisation; Maceió; water and sanitation; human rights; private equity

1. Introduction

The privatisation of water and sanitation services (WSS) has emerged as a central pillar of the neoliberal agenda (Loftus et al., 2019). The promise of greater efficiency and investment underpinned the international expansion of private capital into the water and sanitation sector in the 1990s and 2000s. This model was actively supported by multilateral institutions and implemented across many countries in the Global South, particularly following the Dublin Conference in 1992. Despite this forceful promotion, the results of water privatisation have fallen short of expectations (Lobina, 2013), giving rise to widespread social resistance (Hall et al., 2005) and to the emergence of a global trend of water remunicipalisation (Kishimoto et al., 2020).

A new trend in this process is the financialised privatisation of the sector. The notion of financialisation has become established in recent decades as a key concept for understanding structural transformations in contemporary capitalism. Financialisation, as the expanding role of financial markets, institutions, and rationalities in shaping the organisation of economy, states, and everyday life, is often linked to deregulation, particularly in the water sector (Aalbers, 2015; Bayliss, 2014). Water privatisation has, in fact, disclosed lucrative opportunities for private equity firms, hedge funds and other financial actors to invest in the acquisition of private service providers. Not surprisingly, therefore, multilateral agencies are now promoting the two policy processes jointly, as one contribution to this Special Issue documents in relation to the Global Commission on the Economics of Water (GCEW). The two processes of water privatisation and financialisation appear increasingly intertwined beyond the mutual dependence between providers and consumers of private and blended capital.

As the processes of water privatisation and financialisation are increasingly merging, Brazil has become a global frontier for the financialised privatisation of WSS. In Brazil, changes to the legal framework for water and sanitation in 2020 have boosted private capital to enter the sector (Law 14.036/2020). In the last few years, the country has been facing an unprecedented pace of advance of private sector participation in the water sector, through a strongly financialised process, which includes the massive issuance of infrastructure debentures alongside a growing mechanism of asset securitisation.

The same GCEW claims that private companies in Brazil have delivered massive investments without significant tariff increases, while expanding coverage in low-income areas and improving service quality (Global Commission on the Economics of Water, 2024). However, the empirical basis for these assertions remains largely unsubstantiated. While notable proponents of the new reform invoke the human rights to water and sanitation (HRtWS), they offer scant evidence in support of their claims that financialised privatisation models will advance the rights-based development of water and sanitation services.

On the other hand, prominent critiques of water privatisation and private sector participation in Brazil have focused on important dimensions of these processes, including regulatory transformations, the role of national government in the process and how financial techniques were deployed to maintain revenue continuity amid scarcity (Britto, 2025; Cruxên, 2024; Zambiasi, 2025). However, comparatively less attention has been given to the results of the privatisations unleashed by the 2020 reform, particularly in terms of how financialised arrangements operate in practice and how they affect service provision and social outcomes. In response to this gap

in the literature, we analyse a case study on the first and most long-standing privatised contract awarded pursuant to Law 14.026/2020.

This paper contributes to the literature by conceptualising financialised privatisation not merely as a form of private sector participation, but as a structural transformation in the logic of service provision, in which financial performance increasingly overrides social service objectives. The case study provides empirical evidence on how financialisation operates within WSS. It identifies the concrete mechanisms through which financialisation reshapes service provision, including high leverage, debt servicing through tariffs, and the assetisation of future revenue streams. Finally, it bridges the divide between financialisation studies and the human rights to water and sanitation by showing how financial logics generate socio-spatial inequalities.

In the context of the 2020 reform in Brazil, the state of Alagoas, with the second-lowest HDI in the country, was a pioneer, auctioning in 2020 the concession for the Metropolitan Region of Maceió. The winner was BRK Ambiental, a company with 70% of its assets owned by the Canadian asset manager Brookfield, and the remaining assets by FI-FGTS, an investment fund linked to the Brazilian workers' severance indemnity fund. BRK Ambiental thus represents an interface between global financial capital and the funds of Brazilian workers. The case of the Metropolitan Region of Maceió illustrates the growing inflow of global financing into Brazil's WSS sector. The article is guided by the following research question: How does financialised privatisation exacerbate the dissociation between the means and the ends of water and sanitation provision? The rationale in this approach is that WSS aim to promote social benefits for the entire population living in the area covered by the provision, protecting public health and, ultimately, realising the HRtWS, to which Brazil is a signatory. When the provider is strongly financialised, the means to achieve this end is to prioritise profitability and investor interests, tending to decouple the means from the social ends of service provision, undermining their realisation.

We address the argument through the case of Maceió, which we frame as an "extreme case". This "extremism" is justified by the following unique combination of factors: (i) the extremely high concession fee paid by the bidding winner; (ii) the extremely high level of debt of the provider, based on debentures issuing; (iii) the complete alienation of the provider ownership (a private equity) from the Brazilian context and the provision ends; (iv) expectations from investors of short-term economic gains; (v) huge gaps between the baseline of access to water and sanitation and the 2033 targets, being sanitation and wastewater treatment a major challenge; (vi) challenges of implementing services in areas with impoverished populations, particularly informal settlements and rural areas; (vii) the weak

regulatory system in place to control breaches in provision and contract compliance.

A three-dimensional framework was applied to analyse the structural effects of privatisation on human rights (Heller, 2022). The framework comprises three factors: i) utility provisioning as a natural monopoly; ii) the service provider's tendency toward profit maximisation; and iii) the power asymmetry between the private provider and public agents. These factors do not operate linearly; being a natural monopoly is an inherent characteristic of water service provision. In the analysis, the three factors were mobilised as a lens to understand the processes taking place in the case study.

The article is organised in six sections: following the introduction, section 2 establishes the theoretical framework, focusing on the processes of financialization. Section 3 contextualises the Brazilian water sector and introduces the specific case study of Alagoas. Section 4 outlines the methodological approach employed in the research. The core findings are presented in section 5, which is subdivided into three key analytical segments: the production of socio-spatial inequities, the implementation of financial strategies for profit maximisation and the power asymmetries. The last section provides the concluding remarks.

2. Theoretical background

Water privatisation refers to the involvement of the private sector in service provision, whether through the sale of assets, concession of services, lease agreements, or various types of public-private partnerships (Budds and McGranahan, 2003; Heller, 2022; Lobina et al., 2021). Meanwhile, financialised privatisation can be defined by the strategic entry of institutional investors into public service agreements, where they exercise dual control as both financiers and managers (Wijburg and Waldron, 2020). In cities of the Global South, which have historical roots in social inequalities and have not undergone a comprehensive process of Keynesian welfare-state development, this dynamic is pervasive and may further deepen existing inequalities (Jaramillo, 2009; Oliveira, 2003).

Financialisation functions as a key mechanism for extending capitalism's frontiers into untapped markets, notably water supply and sanitation services in the Global South. This was exacerbated in the wake of the 2008 crisis, when an era of indebted austerity took hold, and new avenues for speculative bubbles were constrained, leading financial elites to demand that governments divest public assets to ensure the continuous flow of income streams (Hudson, 2013).

In this scenario, water financialisation is a process of reconfiguration of infrastructure as a financial object (Ahlers and Merme, 2016). WSS resides in the sphere of social reproduction while being delivered through infrastructures

structured as natural monopolies (Loftus, 2009). This assetization depends on the appropriation of rents through private monopolies, supported by institutional mechanisms, such as concession contracts, which allow for the securitisation of revenue streams and transformation of infrastructure into interest-bearing capital (Purcell et al., 2020; Reis et al., 2024). Consequently, the sector is subordinated to the motivations of financial actors, transforming an essential service into an asset designed to secure global returns (Williams, 2021).

Thus, financialised privatisation not only transfers the management of public services to the private sector but also creates revenue streams that can be transformed into financial assets through long-duration concessions. Once infrastructure is treated as an asset, investment decisions are dictated by capital market performance metrics (Reis et al., 2024). The transfer of these assets is facilitated by the legal and institutional structure promoted by the state, including allowing global financial capital to penetrate the sector (Bayliss, 2014; Zambiasi, 2025). The concession contract operates as a juridical device that allows expected revenues to be pledged and brought forward (Cruxên, 2024). In financial markets, what is traded is not water itself, but a monetised claim on essential consumption (Bayliss, 2014). Under these conditions, fictitious capital refers to claims on future value that are capitalised in advance and realised through legal and institutional arrangements (Harvey, 2010, 2006).

As an agent of financialisation, private equity is an investment sector that pools resources from pension funds, insurance companies and sovereign wealth funds to acquire control of companies. These acquisitions often involve bank loans that increase financial leverage. The focus of private equity funds is to invest in companies with high growth potential, restructure their operations, and increase profitability. After a limited period, these companies are resold at a higher price, generating capital gains and dividends distributed to investors (Cock and Nyberg, 2016; Gatauwa and Mwithiga, 2014). The presence of private equity signals the increasing financialisation of the sector, in which financial actors and logics increasingly shape ownership structures, investment strategies, and governance arrangements.

One of the key contributions of the literature on financialisation is precisely to highlight its spatial dimension, linking global dynamics of financial capital to local, urban and sectoral processes (Aalbers, 2015; Klink and Souza, 2017). For Zambiasi (2025), financialisation is a technique that organises the territory to serve a financial logic. Therefore, to understand financialisation, it is necessary to analyse spatial contradictions, how inherited forms shape, constrain, or mediate their expression. Aalbers (2015) argues that financialisation analyses should link global scales (financial flows, sovereign wealth funds) to local scales (tariffs paid by households).

In analysing the specific characteristics of Brazil, Klink and Souza (2017) demonstrate how urban financialisation takes shape through the interplay between public funds, secondary markets and the securitisation of revenue. Financialisation in this context is actively mediated by state institutions, which mobilise public resources and regulatory frameworks to enable the circulation of financial capital in urban infrastructure.

Linking this discussion to the framework of human rights risks, increasing financialisation of the water sector has intensified regulatory challenges in the provision of monopolistic services, transforming essential infrastructure into financial assets (Bayliss et al., 2023; Lobina, 2019; Reis et al., 2024). Profit maximisation tends to exacerbate labour precarity, reduce investment in low-income areas, and prioritise revenue-generating strategies over service quality, intensifying inequalities and undermining the social function of WSS. Power asymmetries manifest across different scales, where weak regulatory capacity at the local level, combined with a reduction in social participation, is offset by multinational operators leveraging international arbitration mechanisms, lobbying power, and symbolic capital to protect investments and influence policy agendas at the global scale. These asymmetries reinforce the dominance of financial and corporate interests over the effective protection of HRtWS.

3. Context

The landscape of WSS in Brazil underwent institutional restructuring during the late 1990s and early 2000s. These structural reforms initiated a process of transforming monolithic State-owned companies into mixed-capital corporations by opening capital markets to the private sector. Despite this scenario, the privatisation of services did not advance significantly (Britto, 2025). During this period, much of the public-private contracting in the water and sanitation sector was concentrated in the hands of four large holdings - Odebrecht Ambiental, Aegea, CAB Ambiental, and Águas do Brasil Group - all originating from family-controlled construction firms (Cruxên, 2024). However, as Operation Car Wash investigations on corruption in the public sector progressed. The exposure of corruption schemes and difficulties faced by large construction firms had opened space for private equity funds to infiltrate the sector (Rufino, 2025).

This change in the profile of companies, as noted by Cruxên (2024), also aligns with the reforms to the regulatory framework brought about by Law 14,026/2020, enacted during the Bolsonaro administration. In practice, this law aimed at achieving territorial economies of scale to attract private companies. This stems from the fact that service provision in small municipalities often yields lower profitability than in larger municipalities, especially state capitals. The law requires a regionalisation at the state level, consisting of dividing the state into blocks of

municipalities. These blocks are then auctioned, often based on the criteria of the highest concession fee offered. In some models, municipalities must compulsorily join the regional arrangement; in others, they may choose to join or not. However, if they opt out, they face restrictions on access to public financing.

There is a centralisation of actions at the state level, accompanied by a reduction of municipal decision-making autonomy. This is allegedly due to the scarcity of public financial resources for the sector, which are currently mainly used to finance private providers. Moreover, the revenues collected through concession fees are not earmarked for the water sector. They may instead be used to reduce fiscal deficits and as a potential source of political capital for state governors and mayors.

Another aspect highlighted by Cruxên (2024) is that financial investors, such as holding companies, private equity funds, and global funds, tend to seek to reduce their exposure to local politics and municipal-level regulation. This is because the old national private companies, linked to civil construction groups, relied heavily on direct negotiations with mayors and local governments to sign or adjust concession contracts, a process infused by electoral dynamics and political instability. New financial investors, on the other hand, operate according to a logic of scale and predictability, seeking to standardise rules, integrate regional operations, and increase the sector's regulatory legitimacy.

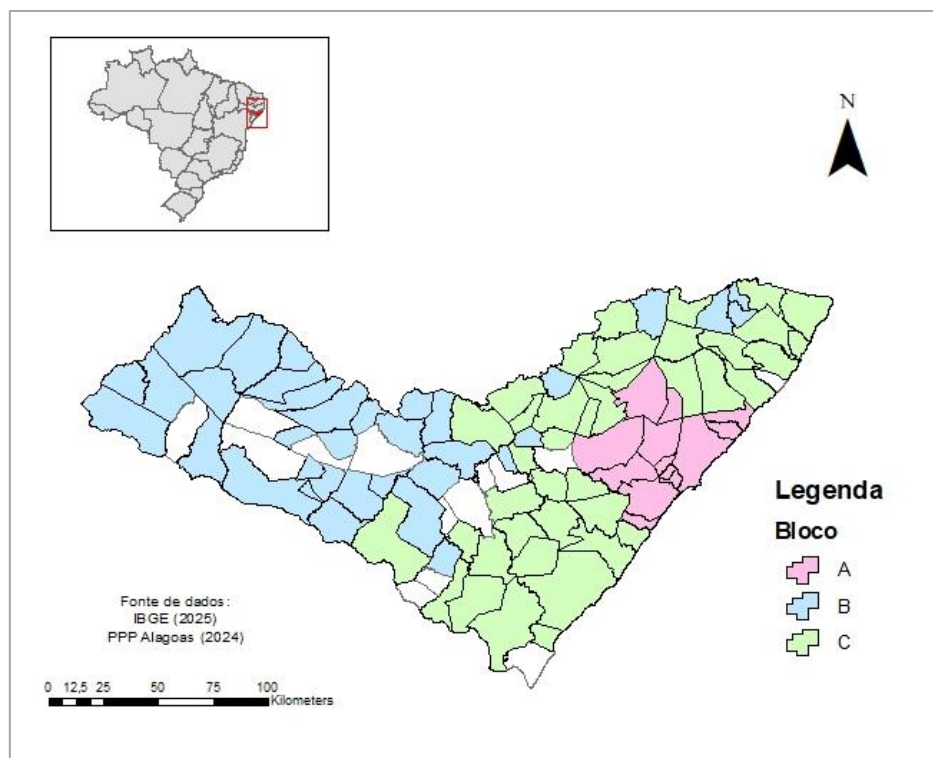
Since 2020, due to these institutional changes, there has been a significant increase in private-sector participation in water and sanitation provision. The number of contracts with the private sector has increased by 203% from 2020 to 2024 (Abcon and Sidcon, 2024). Almost half of the Brazilian population is served by a private provider, and 92% of the private concessions are held by five major companies: Aegea, Equatorial, BRK, Iguá, and Águas do Brasil (Toneto Júnior et al., personal communication, October 15, 2025).

The state, focused on our empirical research, Alagoas, is among the Brazilian states with the lowest socioeconomic indicators. According to the latest Atlas of Human Development in Brazil, Alagoas had a municipal HDI of 0.684, ranking second-to-last nationwide. The Gini index of 0.53 indicates high income inequality, while the poverty rate is 24.22%, and per capita income has decreased by 8.87% since 2020 (Atlas Brasil, 2021).

The services concession to private companies in Alagoas was based on the premise of achieving almost-universal access to water for 99% of the population and 90% sewage collection and treatment by 2033. The targets are set by Law 14.026/2020. To achieve this, the state government of Alagoas, with the support of the National Development Bank (BNDES), structured a framework for service privatisation. Based on the studies carried out, the municipalities were regionalised into three distinct blocks: i) Block A, corresponding to the Metropolitan Region of Maceió

(RMM), the state capital; ii) Block B corresponds to Agreste do Sertão regional, which includes 34 cities; and iii) Block C comprises the Zona da Mata and Litoral Norte regional, consisting of 27 municipalities (figure 1).

Figure 1: Regionalisation of Water and Sanitation Blocks (A, B, and C) in Alagoas State.



Source: Elaborated by the authors based on Alagoas State Law No. 8.358/2020.

Our case study focuses on Block A, which covers the RMM and comprises 13 municipalities¹ with a total population of 1,330,905 inhabitants. Water services in this block were awarded to BRK Ambiental S.A., with a concession fee proposal of R\$2.009 billion (or US\$376 million), representing a premium of 13,180% over the minimum value stipulated in the bidding call. It was the first auction held in the country and attracted great interest because it encompassed the largest municipality in the state, Maceió, with the most significant payment capacity. In 2019, Block A had 88.4% of its population covered by water supply services and 29.2% covered by sewage collection (BNDES, 2019). These conditions shape a context in which the universalisation of WSS requires substantial investment capacity.

4. Methods

The methodological approach comprised a critical review of grey literature and antecedent scholarship about the case, including the contractual documentation

¹ They are: Atalaia, Barra de Santo Antônio, Barra de São Miguel, Coqueiro Seco, Marechal Deodoro, Messias, Maceió, Murici, Paripueira, Pilar, Rio Largo, Satuba and Santa Luzia do Norte.

and regulatory reports. For the initial grey literature screening stage, the Gemini Flash 2.5 was used exclusively to identify and locate reports. A database was created that compiled 55 online news articles related to BRK services, including the title, URL, summary, date, location, and thematic classification (e.g., water shortages, debentures, tariff increases). A second database included BRK financial statements, reports from Centre for International Corporate Tax Accountability and Research (CICTAR) and the Union of Water, Sewage, and Environment Workers in the State of Bahia (SINDAE), the concession contract, and credit rating agency reports (Moody's and Fitch), with key information extracted from each document to enable cross-referencing with media coverage. All materials were organised and managed using Zotero.

We also compared water and sanitation provision indicators from before privatisation (SNIS, 2019) and after (SINISA, 2024) in all the municipalities covered by the contract. Although the Brazilian information system of water and sanitation has changed in this period, the comparison was made using comparable indicators in accordance with the SINISA² glossary. The indicators used were: total water supply coverage, urban water supply coverage, intermittency economies, complaints related to water shortages, average direct operational revenue from water users/average tariff, cash sufficiency, total population served by the sewerage network, urban population served by the sewerage network, urban households served by sewage collection and treatment, treated sewage relative to collected sewage, average total direct operational revenue from sewage services.

The analysis used Thematic Analysis (Braun and Clarke, 2006) to identify and systematise patterns across the empirical material. These themes were subsequently interpreted through a three-dimensional framework to analyse the structural effects of privatisation on human rights (Heller, 2022).

5. Findings

The empirical analysis that follows is structured according to Heller's (2022) three-dimensional framework of structural risks to the human rights to water and sanitation under privatisation. In the RMM case, these dynamics manifest as covering processes that expose the inherent contradiction between the mechanisms of financialised privatisation and the essential goals of water and sanitation.

5.1 The “Ends Gap” and Socio-Spatial Inequalities

Maceió is the capital of Alagoas, and although it has the highest population density and per capita income in the state, it faces challenges in achieving the

² The SINISA is a national information system about water and sanitation. SINISA succeed the SNIS to provide granular and auditable data.

universalisation target set out in the contract. One example of this is the large number of *favelas*, which are territories formed through the collective and autonomous construction of the urban environment to meet housing needs, along with associated uses such as commerce, services, and leisure. This occurs in the absence of adequate public policies and private investment to ensure the right to the city (IBGE, 2024).

According to the Brazilian Institute of Geography and Statistics (IBGE, 2024), the number of favelas in Alagoas increased between the 2010 and 2022 censuses. In 2022, Alagoas had a total of 251 favelas, 84.9% of which were in the state capital, Maceió. This corresponds to 13.4% of Maceió's population. Another factor to highlight is that part of the population is located near the Lagoa de Mundaú³. This area is highly susceptible to flooding and pollution, including from industrial activities, such as sugar-alcohol production and a chlor-chemical complex (Melo, 2010). Favelas are often unregulated and pose a major challenge for WSS.

When analysing the coverage of water supply services in the 13 municipalities included in the concession, in six municipalities, coverage decreased after the start of the private provision⁴. However, coverage remains far below universal access, ranging from 80% to 90%. This situation raises questions about the causes of coverage reduction, whether they result from cadastral revision or reflect the exclusion of families due to non-payment and inability to pay, which would constitute a violation of the human right to water.

Only six municipalities in block A have water coverage over 90%, indicating that progress towards universalisation remains uneven and insufficient. Satuba stands out as a case in point, with only 50% of the urban population having access to piped water (SINISA, 2025; SNIS, 2019). These scenarios show that some places are prioritised, while others are still far from universalisation.

In terms of sanitation, the contract set a target of achieving 49.2% coverage by the end of 2023. However, data show that only 32% of the Block A population was served by sewerage in 2023. Furthermore, only Barra de Santo Antonio and Pilar showed network expansion in 2023, compared to the SNIS data from 2020. Atalaia, Coqueiro Seco, Murici, Messias, Santa Luzia do Norte, and Satuba lacked sewerage systems at all (SINISA, 2025). Smaller municipalities face critical infrastructure gaps and are not prioritised under private management. One example is the picture in Figure 2,

³ Lagoa de Mundaú is an estuarine lagoon that contains a mix of freshwater and seawater and is bordered by the municipalities of Maceió, Coqueiro Seco, Santa Luzia do Norte, Satuba, and Pilar (which are part of Block A). The lagoon is an important ecological and cultural area, especially for mangroves and traditional fishing communities (Melo, 2010; Visite Alagoas, 2026).

⁴ The assessment was based on SNIS indices from 2019, the year before the concession, and the latest data available from SINISA, relating to information from 2023.

taken in 2025 in the city of Barra de Santo Antonio, where much of the wastewater is discharged into the streets.

Figure 2: Wastewater in the streets of Barra de Santo Antônio, Alagoas



Source: Photo taken by the first author, 2025

The precariousness of the service is evident in the high incidence of customer complaints regarding water shortages and leaks. In 2023, only five out of the 13 municipalities in Block A managed to keep this complaint rate, measured as the number of formal grievances relative to the total number of active connections, below 15%, a threshold that reflects a systemic failure in a regulated utility where continuous supply is expected. Grey literature on the BRK case reveals growing dissatisfaction among Alagoas' population, who report recurrent water shortages, abusive tariff increases and improper sewage treatment fee charges. These complaints prompted Maceió local council members to organise a public hearing in 2023 to address them. Another notable factor is the large number of demonstrations carried out in various municipalities in Block A, which involved road closures. In 2023, BRK had accumulated over 12,000 complaints in the Maceió Metropolitan Region (Dicom/CMM, 2025a, 2025b; Gazeta de Alagoas, 2023; Moraes, 2024; Política Alagoana, 2025).

The extreme nature of this case can be understood as the outcome of several converging factors. Despite the affirmation of the GCEW that private companies in Brazil are expanding coverage in low-income areas and improving the quality of services, the empirical evidence suggests a different trajectory. Although the area presents considerable potential for expansion, it requires large-scale investments to meet contractual targets, and substantial service-coverage gaps persist. In 2024, water-supply coverage in the concession area stood at 85%, while sewerage coverage reached only 25% (Moody's Local, 2025). The socioeconomic profile of the

territory further complicates service provision, as a significant share of the population resides in irregular settlements, such as favelas, which pose major obstacles to achieving universalisation under a profit-driven logic. These figures are consistent with a spatial selectivity of water provision described by Williams (2018), the systematic prioritisation of investment in low-risk areas to the detriment of vulnerable territories that do not align with the immediate financial performance metrics required by global capital.

Infrastructure, once associated with universal access and collective provisioning, is being reconfigured as a platform for predictable returns, asset securitisation, and a vehicle for value extraction (Zambiasi, 2025). BRK Ambiental's entry into the market has reshaped water supply through the lens of financialisation. By prioritising coverage in areas with greater ability to pay, the company optimises its risk-return profile. This socio-spatial reconfiguration is subordinate to the imperatives of capital over the principle of universal equity. Consequently, this confirms Allen and Pryke's (2013) observation that such models are structurally geared to provide benefits to investors rather than consumers, leading to a service that fails to address the HRTWS.

5.2 The means for capital reproduction: leverage, assetisation, and value extraction

5.2.1 Financial structure

Brookfield Asset Management operates in more than 30 countries and manages more than US\$1 trillion in assets across real estate, private equity, infrastructure, green energy, insurance, and asset management. Its primary clients are institutional investors, such as pension funds and sovereign wealth funds (Brookfield, 2025). However, the company faces allegations in several jurisdictions, ranging from environmental and labour issues in Brazil to the collapse of the Healthscope Hospital network in Australia, which raised criticism about the use of high leverage and the prioritisation of investor profit in socially sensitive sectors (Augusto and Toledo, 2021; Bassi, 2020). On the financial front, it faces allegations of using accounting practices to overvalue its real estate portfolio and of being structured around tax havens, mainly in Bermuda (CICTAR and Sindae, 2025; Jones et al., 2025).

In Brazil, since being incorporated by Brookfield in 2017, BRK Ambiental has recorded a 100.8% increase in revenue (through 2024). However, it has a gross debt of US\$2.5 billion (leverage of 6.4x), mainly through the issuance of debentures. From 2017 to 2024, the company has raised US\$2.36 billion through debentures, with the main creditors being significant infrastructure investment funds and pension funds. The need to prioritise this capital structure means that the company pays approximately US\$213 million in interest annually, which is higher than its

infrastructure investment and 25% higher than its payroll expenses. This prioritisation in financial expenditures has resulted in limited returns to shareholders, who received only US\$6.66 million in dividends for four years (2021 to 2024), including those paid to the Brazilian workers' fund, FGTS (BRK Ambiental, 2024; CICTAR and Sindae, 2025). Data from 2025 confirms this finance-driven infrastructure trajectory. Reports from credit rating agencies indicate that adjusted gross leverage remains high, the net debt ranging from 6.3 to 6.6 times their earnings before interest, taxes, depreciation, and amortisation (EBITDA), which is far larger than the leverage of public water companies such as Sabesp and Copasa that keep these rates between 1.5 and 2.5 (Fitch, 2026; Moody's Local, 2025).

In practice, increasing consumer tariffs has been the primary means of covering these financial costs. In the case of Alagoas, an analysis of tariff adjustments in Block A between 2021 and 2025⁵ showed a real tariff increase, after adjusting for inflation using the Broad National Consumer Price Index (IPCA) of 31.27%⁶.

The strategy of keeping companies highly indebted serves as a regulatory capture mechanism (Lobina, 2019), as financial fragility is a defence against stronger regulation. A predictable regulatory environment is a prerequisite for converting monopoly rent into stable financial flows (Purcell et al., 2020). Consequently, tariffs function as a debt service, since the price of water is not based on production but on the need to maintain solvency and attractiveness to creditors (Pryke and Allen, 2019). Such practices allegedly fall outside the regulatory agency's scope. In addition, the practice of overvaluing investment needs can put pressure on the regulatory agency to increase tariffs. The evidence from the São Paulo case demonstrates that regulatory agencies authorise tariff adjustments that stabilise revenue streams for private investors (Zambiasi, 2025). This dynamic becomes evident in the mechanism designed to safeguard creditors, as in situations of default or bankruptcy, in which the fiduciary assignment of receivables ensures that tariff revenue is allocated directly to debt repayment (Moody's Local, 2025). Credit ratings assigned by Fitch and Moody's in 2025 confirm this perception by assigning high ratings, presenting the company as a robust opportunity due to the predictability of tariff revenues (Pryke and Allen, 2019). Thus, operational and financial risks are effectively transferred to the State, which is compelled to

⁵ The calculations were made considering the first year of operation of the BRK concessionaire (2021) until the last tariff increase announced in October 2025. In addition, they were made for a range from 0 to 10 m³.

⁶ Although the Aarsal Regulatory Agency uses the National Construction Cost Index (INCC) in methodology, the analysis considered the adjustment by the IPCA, as suggested by Resolution 22/2024 of the National Water and Basic Sanitation Agency (ANA). The use of the IPCA is justified because the INCC, which reflects the volatility of construction raw material prices (such as steel), may not be the most appropriate index for the overall inflationary recomposition of revenue.

maintain the service provision without the revenue that is used to settle the outstanding debt.

Another aspect of financialisation is the reduction of operating costs, including mass layoffs (Bayliss, 2014; Klink; Souza, 2017). In the case of BRK, 300 employees were laid off, representing a 15% workforce reduction (Hirata, 2023). Another factor highlighted is the inequality between workers' and senior executives' wages (Bayliss, 2014; Van Der Zwan, 2014). In the case of BRK, the average salary for executives is US\$60,000, 41 times higher than the average worker's wages, of US\$1,466 (Quintslr et al., personal information, October 15, 2025). This is the result of gearing, in which the company spends money where it has the greatest interest, such as the acquisition of new concessions or executive salaries, which are not always the same interests as the service users, and at the same time reduces salaries and benefits for employees (Bayliss, 2014).

The evidence presented reveals that BRK Ambiental's financial management is structured around the logic of value extraction (Purcell et al., 2020). WSS provision is no longer an end in itself, but a vehicle for capturing monopoly and absolute rents. The high tariff prices and the aggressive reduction of labour costs are the primary mechanisms through which these rents are realised and subsequently converted into financial assets, whose prices are influenced by expectations of future appreciation (Santos Melazzo, 2019).

As argued by Pryke and Allen (2019), this extraction is predicated on the WSS assetization, the process of converting fixed, illiquid physical assets into liquid financial instruments, which operates locally but with global logic. This occurs through the regulatory environment and long-term contract and insulates creditors through fiduciary guarantees. Therefore, the value extraction is derived from the transformation of operational risk into guaranteed cash flow. The financial rent from the difference between the cost of debt and the revenue guaranteed by the contract is captured by financial investors. In this framework, access to water and sanitation, a human right, is inverted; service provision (formerly the end) is reduced to a means to sustain the liquid financial asset.

An example of value extraction is Brookfield's attempt to use the Initial Public Offering (IPO) request strategy. Brookfield used the IPO as a strategy to achieve an exit, in line with its role as a private equity fund, which seeks to optimise returns before divesting. Although the initial offering was suspended due to adverse market conditions, it has now hired banks to organise alternatives to its exit, such as the sale of some of the company's assets, treating the investment as mature (Hirata, 2023; Scaramuzzo et al., 2024). In late 2025, BRK filed a new IPO request aiming to strengthen the company's balance sheet, with the offering estimated at US\$ 463

million (Invest, 2025). This reinforces Brookfield's persistence strategy to deleverage the operator and prepare for an eventual exit.

5.2.2 Entry fees and debentures: challenges and strategies for profit maximisation

The concession fee paid by BRK was 13,180% over the reference value published in the bidding notice. This high premium paid in Alagoas points to an extreme case, as it far exceeds the percentages observed in other water and sanitation auctions in Brazil, highlighting an atypical dispute. Once received by the state and municipal governments, these funds are not bound to investments in the water sector and may be used for any purpose, including the payment of public debt. In 1995, France's national law outlawed the practice of concession fees, recognising the risks of turning essential services into instruments of financial speculation and facilitating corrupt practices. Local authorities there used to give more weight to the amount of fee payments offered by the bidders over the relative impact on service quality and cost (Cour des comptes, 1997; Lobina, 2006).

The model of auctioning WSS by the criteria of the highest concession fee, and not alternatives such as demonstration of the greatest technical capacity or the lowest tariffs, has been strongly criticised for diverting resources from the water sector for other public spending and for relying on tariffs to cover this amount. Structurally, under financialisation, large companies have greater bargaining power and better access to investment conditions, facilitating concessions and driving oligopolisation in the sector (Labini, 1988).

Another crucial point of discussion is the origin of the capital used to finance the entry fee payment. According to a report by CICTAR and Sindae (2025), BRK paid off the US\$387 million concession fee, which was financed through US\$726 million in debentures, of which US\$378 million was through a tax-exempt debenture. The incentivised debenture, classified as a blue debenture (RMA21), is a debt security that finances projects to preserve water resources and oceans (Reuters, 2022). However, in practice, the issuing served to refinance the concession fee payment for Block A itself. This mechanism aligns with the process of revenue securitisation described by Klink and Souza (2017).

In addition to the financing structure via debentures, BRK counts on public investments, such as financing for US\$160 million from Banco do Nordeste do Brasil, a mixed-economy, publicly traded development bank, majority-owned by the Brazilian Federal Government, and US\$180 million via the National program, *Saneamento para Todos*, with funds from the FGTS (Moody's Local, 2025). This corroborates studies showing that, even after privatisation, most investment in the sector remains public (Araral, 2009; Hall and Lobina, 2006).

Furthermore, the contract determines an investment of US\$398 million from the concessionaire over the first six years (Alagoas, 2020). Moreover, to comply with the agreement, the company will have to invest approximately US\$219 million in 2026 alone (Chagas, 2025; CICTAR and Sindae, 2025).

This financial engineering by issuing debentures to pay the concession fee represents a strategic anticipation of future revenues, which have yet to be produced (Pryke and Allen, 2019). This mechanism allows the company to extract value from the future water tariffs of the next 35 years. Consequently, BRK Ambiental effectively shifts the cost of the atypical dispute onto the local population, as the tariffs function primarily as a source of financial rent to service corporate debt. The issuance of US\$726 million in debentures to finance the concession fee, as discussed previously, confirms that Brookfield's interest was not merely a process of appropriation, but as generative of financial value through the strategic capitalisation of a natural monopoly. This illustrates how the mobilisation of debt to cover entry costs constitutes the creation of fictitious capital anchored in a state-guaranteed revenue stream (Harvey, 2006).

This case presents similar practices to the concessions in Rio de Janeiro, as studied by Britto (2025). In addition to the use of debenture issues to facilitate the payment of substantial concession fees, the sector is leveraged and dependent on the capital markets, elevating debentures to the status of the primary instrument for facilitating new contracts.

5.3 Supporting the means: Power asymmetry

Based on an analysis of the power imbalance between the public and private sectors, we argue that in the context of service privatisation, social participation is often compromised and the water and sanitation field is reconfigured (Bourdieu, 2008, 1989). By analysing the dynamics between public and private actors, including the state regulatory agency (Arsal) and the private operator (BRK), there is evidence that the regulatory agency plays a limited role in controlling the provider and that social participation is also limited.

From the public side, one of the reasons for that is the change in the national regulatory framework, with Law 14.026/2020 establishing that the National Agency for Waters and Basic Sanitation (ANA) has the role of standardising regulation to ensure legal security to contracts. The centralisation of functions at the national level, which Cruxén (2024) defines as centripetal politics, has weakened municipal control over provision and Arsal's autonomy, also because the tariff structure was set in advance of the auction. Thus, the Alagoas model provided two innovations for the traditional Brazilian privatisation of WSS: the new regional arrangement resulted in municipalities losing decision-making autonomy, strengthening governance at the state level, while key regulatory decisions were transferred to the federal level.

As a result, transparency and social participation have been undermined. Aرسال's lack of transparency is evident in its failure to publish on its official website information about tariff increases. The information about the tariff increase was not available on Aرسال's website during the development of this research; however, it was found on the BRK webpage and the Official Gazette of Alagoas, which contained the published Aرسال resolution. Furthermore, information regarding BRK's performance targets is currently unavailable. Consequently, in October 2025, the Public Defender's Office of Alagoas filed a public civil action against BRK, requesting proof of the services provided (Política Alagoana, 2025).

Historically, the water sector was organised through technical and political capital (Bourdieu, 1989), since private companies were closely tied to mayors and focused on construction operations (Cruxên, 2024). However, with the arrival of investment funds and private equity, such as Brookfield, financial logic transformed the sector, altering the distribution of essential capital. This power displacement manifests through a process of glocalisation (Swyngedouw, 2004), whereby the power of global capital shapes the quality and tariff levels of local services. The securitisation of future flows is what guarantees the payment of interest to funds that have invested in debentures, often with government support. This prioritised the private companies to deliver the financial expectations of investors, reshaping their relationship with the public agents and mobilising their economic, managerial, technical and legal empowerment, decouples the means from the social end of the provision.

However, the relation public-private is not two poles, but the intertwining between them marks the Brazilian process of financialised privatisation, since the neoliberal State is instrumental for favouring the entry of global capital. The paradox is actuated by the fact that investments still depend on public resources, via incentive debentures and government programmes, which weakens the justification for exclusive reliance on private capital.

Pressures from the economic circuit, through lobbying and actions in different areas, also act in the symbolic dimension. The discourse mobilised by think tanks such as Trata Brasil and Abcon, the National Association and Union of Private Water and Sanitation Service Concessionaires, argues that the deficit in the water sector could only be overcome through private investment. This discourse has privileged access to the media in the country.

6. Conclusion

This case provides evidence of how financialised privatisation reshapes the relationship between the means and the ends of water and sanitation provision, in ways that subordinate social objectives to financial imperatives. The narrative on the necessity of private investment for universalisation, supported by hegemonic

discourse, has failed to materialise. The case reveals a pattern of uneven service provision, rising tariffs, and persistent deficits in sanitation coverage, particularly in smaller municipalities. These dynamics corroborate the limitations of financially driven models of service provision to align with the HRtWS.

This disconnect is sustained by financial engineering mechanisms that transform water infrastructure into a vehicle for value extraction (Pryke and Allen, 2019; Purcell et al., 2019). In this process, monopoly rent is transformed into financial assets by capturing future cash flows, which are sustained by a long-term concession contract and regulatory procedures that prioritise capital profitability requirements from local tariffs, which effectively interfere with municipal autonomy. It is not merely a process of capturing value, but the generation of value through a natural monopoly. The use of tax-exempt debentures to enable the payment of the concession fee exemplifies this dynamic; a financial instrument originally designed for structural investments was diverted to finance market access. Therefore, BRK Ambiental's high leverage and annual interest flow demonstrate that the system's priority is to honour debt obligations rather than ensure service quality.

This article contributes to the literature on the financialisation of water by identifying the specific financial engineering mechanisms through which this process occurs, including high levels of leverage, debt issuance and the securitisation of tariff-based revenues, which transform infrastructure into financial assets. By linking these mechanisms to the impacts on service delivery, the analysis also demonstrates how financial imperatives translate into socio-spatial inequalities. In doing so, the article shows how the disconnect between the means and ends of service provision is not accidental but is structurally rooted in financialised models of infrastructure. To this end, the combination of the natural monopoly nature of these services with the imperative of profit maximisation and the power asymmetries shaping the relationship between the provider and other actors, such as the regulator, creates an environment in which the realisation of the HRtWS can be severely compromised.

Use of IA – During the preparation of this work, the author(s) used Gemini to assist with the research of grey literature and DeepL to improve the readability and language of the manuscript. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

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