

## **Searching for Truth and Water: Deconstructing Cochabamba's "Water War"**

by  
Jacob Stoehr

In the year 2000, a few weeks after a move to privatize the water of Cochabamba, Bolivia, water rates rose as high as 200%, forcing citizens that made a minimum wage of \$67 a month to pay \$15 for water. In the most extreme case, Tanya Paredes, a mother of four, faced a 300% increase in her water bill, enough to feed her family for a week (Schultz 2003). Reacting to the rate increases, corrupt politics, the World Bank, privatization, the United States Drug Enforcement Agency's (DEA) forced eradication of the coca plant, among other things, the people of Cochabamba went to the streets in protest. After four months of failed negotiations, the demonstrations, in one way or another, eventually were victorious and the status quo was returned: a city with over 40% of its citizens without access to potable water (Aussies 18-19).

The water inadequacies of Cochabamba are not unlike the reality of much of the developing world. As one of its Millennium Development targets, the United Nations has set out to "halve by 2015 the proportion of people without sustainable access to safe drinking water" (UNDP 2). If the world's population were to stay constant that means that a half a billion people must be provided with access to safe drinking water in just over a decade. Since the 1990's brought 438 million people in developing countries access to safe drinking water, this target is certainly attainable even accounting for population growth (UNDP 104). The key is finding the best way to maximize the right to clean water: making access affordable, environmentally sustainable, and economically feasible. In order to deconstruct the case of Cochabamba and learn from its failings, two

aspects of water must be understood: water must be seen as a right, and water must be seen a social and an economic good. From this framework, the events of Cochabamba will be presented from two perspectives in an attempt to establish the facts, which can then be analyzed. The two perspectives stem from interviews and writings taken from both sides in order to gain the most objective view. Speaking out against the failures surrounding the “water war” is Jim Schultz, who lives in Cochabamba, Bolivia and experienced the events first hand. The Bechtel Corporation, whose role in the Cochabamba fiasco is undeniable, presents a different story. Jonathan Marshall, a media relations manager at Bechtel, provides insights into the other side of the story. Through the individual opinions and critiques of these individuals, as well as a variety of other sources, the facts of the case can best be assembled for objective discussion.

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### **Water Rights**

Clean water is a right. More specifically, water is a “human right” under the United Nations Committee on Economic, Social, and Cultural Rights and a “basic right” according to the moral philosophy of Henry Shue in Basic Rights (1996). Since “access to safe water and adequate sanitation is crucial for survival,” it is a right that all humans possess (UNDP 103). According to Shue, the fact that survival is contingent upon water makes access to clean water a “moral minimum,” and allows for “the rational basis for a justified demand that the actual enjoyment of a substance be socially guaranteed against standard threats” (xi, 13). Equally important is the fact that all other rights within a society are dependent on the guarantee, but not the absolute fulfillment, of subsistence and security rights (Shue 26). The right to clean water is guaranteed and must be fulfilled

under the abilities of the management available and according to the resources readily present. Without the guarantee of “basic rights” no other rights are valid, or hold intrinsic value. Using the transitive property, it can be understood that if clean water is necessary for life itself, then satisfying the right to vote or the right to walk down the street, necessarily depend on a guarantee of the subsistence right to clean water (Shue 32). Thus, guaranteeing access to clean water is of the highest priority and should not be compromised by economic or political goals. However, since the global community, as well as individual societies, have not been ascribing to an ideology of “basic rights,” it is simply not a reality that the right to clean water can be fulfilled immediately, but measures can be taken to move towards guaranteeing and eventually maximizing the right to clean water. Also, the right to clean water is only unlimited in providing subsistence through available resources, and is not guaranteeing the absolute use of a limited resource. Nevertheless, as the global community continues to interact and progress economically, subsistence rights must be accounted for.

Water is a good that must be delivered in some manner to individual members of society in order to guarantee the right to clean water. The function of water management and service should be to provide the maximum number of people with clean water, while still respecting the environment. Water management should not, therefore, solely seek profit because this will inherently exclude the poorest members of society from gaining equal access to clean water. Prices should regulate overuse and incorporate the need for expanded and improved service, but should otherwise be as low as possible, especially for the poorest sectors of the population. The goal, then, is “how to get the most value from water that is available, while not depriving people of sufficient clean water to meet

their basic needs” (Gleick 37). At no point should economic progress or gain outweigh people’s right to water; however, if economic profit fosters a system that provides and distributes affordable, clean water to all citizens, regardless of their financial means, then it is justified. By looking at water from this perspective, it is clear that water can exist as both a social and an economic good. Water is foremost a social good because if access to clean water is ensured, all of society will benefit. Since “half the world’s hospital beds are occupied by patients with water-borne diseases,” access to clean water, and additionally access to proper sanitation, will benefit society as a whole (UNDP 104). However, when water is seen as economic good it “will be allocated across competing uses in a way that maximizes its value to society” (Gleick 37). An economic understanding of water cannot be exclusive because water is fundamental for survival and “maximizing” its value will not necessarily satisfy the right to clean water, or “capture [its] intrinsic value and social benefits” (UNDP 111). The fact that water is a social and economic good inherently forbids it from completely operating within free market forces (Gleick 82). Nevertheless, treating water as a commodity can provide a necessary balance to counter the financial burden of “free” water and therefore prevent overuse and manage environmental concerns. When water is seen as an economic good in addition to a social good, and simultaneously guarantees a subsistence right, society will be accounting for all of the key factors with respect to water.

### **Historical Context**

The contributing factors that led to the “water war” of Cochabamba did not begin in the year 2000, or even in the twentieth century. Since the initial conquest by the Incas

of the native Amarya and Quechua Indian tribes, the land that is now Bolivia has been marked by conquest after conquest. Yet the Incas conquered in a decidedly different way: assimilating and embracing new culture instead of destroying and exploiting it. However, with the arrival of the Spanish Empire in the sixteenth century a different form of conquest arose and a new dynamic developed within the borders of what is now Bolivia. The Spanish established a society based on distinct divisions between themselves and the natives, between the oppressors and the oppressed, between the rich minority and poor majority. They justified their actions with promises of a better life through Catholicism and over the next three centuries “Spanish colonialism mined the hill, *Cerro Rico* or Rich Hill, of enough silver to virtually bankroll the Spanish Empire. They also left behind... ‘8 million Indian Corpses’” (Schultz 2003). Even after Bolivia declared independence from Spain in 1825 the conquests continued, but this time in the name of development and progress. Foreigners and the minority Bolivian elite systematically exploited Bolivia’s natural resources and her people, making the most naturally “rich” country in South America, the poorest. This form of progress has left the country with little infrastructure and extensive foreign dependency – both structurally and financially. Today, the promises of a better life through capitalism, globalization, and privatization seem to mimic the empty promises by the Spanish from centuries earlier.

In 1985, the World Bank set out to reverse the depressed reality of the Bolivian economy and society. Ironically, as any Bolivian will tell you, the latest “*crisis económico*” began and has endured since the late eighties. Nevertheless, in Bolivia the World Bank has continued to promote the privatization of public entities as the key to

economic freedom and positive development. Bolivia has since lost the national airline, the railroad, the communications company, and the electric company to foreign companies. The results have been anything but positive. For example, the Chilean company that purchased the railroad dismantled it for parts and left a country with only 5% of its roads paved with even less transportation infrastructure (Schultz 2003, Olivera 114). Yet the basic idea of privatization is not necessarily negative: use foreign investment to promote growth, draw better skilled managers and technical expertise, and therefore offer enhanced and broader service. In turn, the private sector investors receive monetary rewards and undoubtedly feel good knowing that they provide improved service to more people. After all, it is possible that privatization can provide social goods and at the same time fulfill rights. The problem arises when the return on investment comes ahead of providing the good or service, and the situation becomes even more severe when privatization compromises access to a subsistence right.

### **The Water War**

Under the illusion that the theoretical goals of privatization are also a reality and even further, a reality that can be realized in the third world, the World Bank convinced Bolivia and the city of Cochabamba to privatize its water works. Cochabamba is a city of 600,000 people that sits in the Central Valley at 8,000 feet above sea level. Despite the altitude the climate is quite moderate and is comparable to Southern California. A three-hour bus ride east of La Paz, the city sits in between the high Andes and the eastern Amazonian jungle. The city has traditionally been agricultural, though is less so today. The agricultural decline stemmed in large part from drought that continues to plague the

Central Valley of Bolivia. In addition to drought, extensive rural-urban migration, a trend in much of the developing world, has tripled the population in two decades, and left Cochabamba in a water crisis, unable to meet the needs of the ever-growing city. In 1999 the “potable water coverage was reported to be 57 percent and sewerage 48 percent” (Assies 18-19). Water was being provided by Servicio de Agua Potable y Alcantarillado de Cochabamba (SEMAPA) and simply unable to keep up the water needs of a poor and growing city. SEMAPA “was also notoriously plagued with acts of corruption,” a problem that amplified the failings of an already struggling public water company (Schultz 2004). After several failed proposals to renovate and expand Cochabamba’s public water works in the nineties, the World Bank promised a \$14 million dollar loan for expanding water services in Cochabamba and \$600 million dollars in debt relief for the country – if Cochabamba privatized their water (Schultz 2004).

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With respect to water, the vision of the World Bank and other multilateral institutions is to create “economic value of water resources and allow the resources or concessions for exploitation to be freely sold, mortgaged, rented, and so forth, so as to promote market-driven resource distribution” (Assies 16). Accordingly, in 1999 the Bolivian Government auctioned Cochabamba’s water to the one bidder that was present at the “closed-door” auction. The buyer was a newly formed company, Aguas del Tunari. The company’s majority holder with a 55% share was International Water Limited, a 25% share was owned by Benogoa of Spain, and four Bolivian companies each held a 5% share. At the time the contract was signed, International Water Limited, based in London, was exclusively owned by the Bechtel Corporation, a company that has been involved in engineering everything from the infrastructure that empowered OPEC to

the “Big Dig” in Boston to the current rebuilding of Iraq. With little initial investment Aguas del Tunari was guaranteed “an average profit of 16% per year over the 40 year life of the contract” and “through a parallel law [Law 2029] the company was also to be given control over hundreds of rural irrigation systems and community wells, projects paid for and built by local people without government help” (Schultz 2003). The contract also included the completion of the Misicuni Dam, a project that the World Bank disapproved because of its financial burden. The Bank has used their condemnation of the Misicuni project as a means for absolving themselves from the utter failure of Cochabamba’s water privatization.

As the citizens of Cochabamba learned of the government’s move to privatize their water and of the legislation that would steal their cooperative and private wells, a counter coalition, Coordination Committee for the Defense of Water and Life (La Coordinadora), was formed in November of 1999, though its leaders had been meeting since July (Assies 22). La Coordinadora drew support from “the local factory workers union, irrigators and farmers, environmental groups, local economists, progressive members of Congress,” and most importantly the members were “both urban and rural, both poor and middle class” (Schultz 2003). When Aguas del Tunari raised water rates in January of 2000, La Coordinadora took action and initiated a three-day strike, effectively shutting down the city of Cochabamba through road blocks and protests. As a result, the government promised open dialogue with La Coordinadora and a review of the new system of water management. The government agreed to rollback the rates for the next six months and provide refunds for those that were overcharged. After waiting three weeks for change that never came, La Coordinadora took another stand by overtaking



Cochabamba's *Plaza Principal*. In reaction to the protests, the government sent in over 1,000 armed policemen and soldiers from other cities, "as Cochabamba police could not be counted on to take such a hard line against their own relatives" (Schultz 2003). War broke out, a water war. During this second battle in the first week of February, "70 civilians and 51 policemen were wounded and 172 arrests were made" (Assies 26).

In April, in what would become the third and final battle of the water war, La Coordinadora was insisting on two demands: the cancellation of Aguas del Tunari's contract and a repeal of the laws that allowed the privatization of water. As protests continued, the government began arresting key leaders of La Coordinadora, declared martial law, cutoff radio and television communications, instituted a curfew, and banned public meetings of more than two people. The situation became desperate. One news crew captured footage of an army captain dressed in civilian clothes, and who happened to be a graduate of the School of the Americas where the US government taught him how to suppress insurrections, shooting live rounds into the unarmed (at least with guns) crowd of protestors. One of his well-aimed bullets exploded in the face of a seventeen-year-old boy and ended his life. (The army captain was later tried, acquitted, and then promoted to major.) Meanwhile, the Bolivian government's official statement was that the insurrections were coordinated by drug traffickers and *cocaleros*, the peasant coca growers. As a result of the violence, by April 10th, 2000, the directors of Aguas del Tunari had left the country and the Bolivian government declared the contract canceled (Schultz 2003). The Cochabambinos had won back their water - almost. Six months after leaving the country, the Aguas del Tunari sued Bolivia for \$25 million through the International Centre for Settlement of Investment Disputes (ICSID), a part of the World

Bank. If Bechtel wins, Bolivia will lose the equivalent of “the annual cost of hiring 3,000 rural doctors, or 12,000 public school teachers, or hooking up 125,000 families who don’t have access to the public water system” (Schultz 2003). The case, which is still pending, will be arbitrated by the International Center for Settlement of Investment Disputes (ICSID), a trade court, interestingly enough, within the World Bank.

### **Why Privatization Failed in Cochabamba**

How did privatization force rate hikes and worsen a situation it ostensibly intended to help? There is, perhaps, no simple answer to this question, but there is, of course, another side to the story, which will provide a basis from which to analyze the failure of this venture. However, who makes up the “other” side of the story is not entirely clear. The company that signed the contract for Cochabamba’s water was Aguas del Tunari. As stated earlier, International Water Limited owned 55% of Aguas del Tunari and until November 9, 1999 when Bechtel sold 50% of the company to Edison S.p.A of Italy, Bechtel exclusively owned International Water Limited. Thus when the contract was signed in September of 1999 and when Aguas del Tunari began running the concession on November 1, 1999, Bechtel was the majority holder with 55%. After November 9, 1999 Bechtel was still the greatest share holder, but with only 27.5%. Information provided by Bechtel in relation to the “Water War” only portrays them as a 27.5% player and glosses over the subtleties of the November 9, 1999 transfer. Also, when Edison bought their half share of International Water Limited, “registration moved from the Cayman Islands to the Netherlands because Edison required a change of domicile” (Bechtel 5). As a result of the Netherlands address of the majority holder,

International Water, the World Bank's ICSID will serve as arbitrator of the conflict through a bilateral investment treaty between Bolivia and the Netherlands. Though these percentages and subsidiaries seem to be corporate nuances, the connection between Bechtel and Aguas del Tunari are significant and perhaps more important is the involvement of the World Bank at both ends of this situation, first as stimulator of privatization and now as arbiter of the dispute.

Yet from the onset, the move to privatize Cochabamba's water was destined for failure. Though the government mandated a minimum of three bidders in order to successfully privatize Cochabamba's water, negotiations outside of the bidding process began when only one company placed a bid. Effectively, one of the key components of privatization failed because the goal of maximizing market efficiency through market driven pricing was lost as a result of having only one bidder. Nevertheless, the Bolivian government and Aguas del Tunari proceeded.

In August of 2002, Bechtel published a report, "Cochabamba and the Aguas del Tunari Consortium," that details their account of events preceding, during, and after the Water War. While nearly all sides of this case agree that the public water company, SEMAPA, was greatly struggling to provide and expand water services to Cochabamba, the Bechtel report claims that in addition to upwards of \$35 million in debt, the public company used a rate structure plan that charged less for greater use, a model completely opposite to standard practice. Essentially, SEMAPA was operating contrary to the idea that in order "to protect scarce raw water sources, system managers generally try to discourage consumption by applying a rising unit cost" (Bechtel 1). Additionally, Bechtel explains that under SEMAPA 60% of "the water pumped into the network was

either lost through leakage for pilfered” (Bechtel 2). As a result, Aguas del Tunari supposedly invested \$10 million in the few months that they were operating in Bolivia to fix current problems and to expand service, an amount that is included in the \$25 million case with the ICSID (Bechtel 5, Marshall). None of these funds went towards completion of the Miscuni Dam Project and physical evidence in Bolivia and a lack of empirical data from Bechtel do not confirm its investment claim.

The Miscuni Dam Project is certainly a contributing factor to the overall failure of privatization in Cochabamba. According to the contract, Aguas del Tunari agreed to complete construction of the Miscuni Dam in the very limited time of two years, a time frame that Bechtel admits was too short, yet one that it willingly agreed to when it negotiated the contract with the Bolivian Government. The project entailed building a dam to collect water, a tunnel channeling that water to the city through the mountains, and an aqueduct to distribute the water, as well as a hydroelectric power plant.

Estimations for the total cost of the project were upwards of \$300 million, and were well beyond the means of the government and in large part detracted foreign investment, until Aguas del Tunari. However, before the contract was signed with Aguas del Tunari, the Bolivian government spent \$30 million on the longstanding Miscuni Dam Project.

Interestingly enough, the contractor that completed the initial phase of the project was one of the 5% Bolivian share holders of Aguas del Tunari. While it is difficult to prove that corruption was involved in the contract from all or some parties, it is clear all parties had a vested interest in the profits. Though Bechtel claims that they proposed to delay the Miscuni project and therefore increase water rates more gradually, the government insisted that the project be completed within two years (Bechtel 2-3). Aguas del Tunari

signed the contract anyway, knowing that immediate higher rate increases would be needed. The failure here stems from both the Bolivian government and Aguas del Tunari, and in turn Bechtel. In addition, even though the World Bank disapproved of the final deal that was struck with Aguas del Tunari because of lack of competitive bidding and the Misicuni Dam Project, they still pushed for an inept government to negotiate a privatization deal, a decidedly ineffective measure.

Adding to the rate increases that would result from expanding services and completing the Misicuni Dam Project, the privatization deal also mandated that Aguas del Tunari convert SEMAPA's debt into the rate structure increases. Apparently the government attempted to convince SEMAPA to do the same in 1998, but SEMAPA refused. Nevertheless, to account for all of the costs, a 35% rate increase was agreed upon between the Bolivian government and Aguas del Tunari and a new tariff structure adopted in which the poorest users would receive only a 10% increase and the highest volume users would see increases of 106%. The new rate structure divided water users into four residential categories based on wealth: R1 pricing was for empty land, R2 for the poorest sector of the population, R3 for the less poor, and R4 for the non-poor. Higher tariffs were established for commercial and public use. The Bechtel report claims that the "main portions" of the contract were publicized and that they insisted that the government inform the people of Cochabamba of the rate increases. Additionally, when Aguas del Tunari began providing water on November 1, 1999, they claim to have "increased supply by 30 percent through repairs and technical enhancements" (Bechtel 4). As a result of the increased and more consistent supply of water, Bechtel claims that water usage greatly increased, resulting in dramatically higher water bills. These claims

are simply false. If for no other reason, many homes in Cochabamba, especially those owned by the poor, do not have meters with which to gauge usage and were therefore to be charged a fixed rate.

The following two water bills, one from December of 1999 and the other from January of 2000, show that rate increases for German Jaldin, an R3 resident, greatly outweighed usage increases.

**AGUAS DEL TUNARI S.A.**  
 AVISO DE COBRANZA # J0P65      Codigo de Cliente:  
 093605700

NO VALIDO PARA CREDITO FISCAL

<b>NOVENO</b>	<b>JALDIN A GERMAN</b>	<b>GERMAN JALDIN</b>												
<b>DIRECCION</b>	C M ETEROVIC-01125													
<b>Fecha de Lect. Ant.</b>	<b>LECTURA ANTERIOR</b>	<b>Mes de Cobranza</b>												
10/11/99	905	Diciembre/												
<b>Fecha de Lect. Act.</b>	<b>LECTURA ACTUAL</b>	<b>CATEGORIA</b>												
09/12/1999	1000	R3												
<b>FECHA DE EMISION</b>	<b>CONSUMO</b>	<b>CICLO</b>												
09/12/1999	35 m3	07												
<b>SERVICIO:</b>	AGUA Y ALICANTARILLADO													
<b>CONSUMOS REGISTRADOS EN LOS ULTIMOS 6 MESES:</b>	<table border="1"> <tr><td>Mes 1</td><td>36 m3</td></tr> <tr><td>Mes 2</td><td>23 m3</td></tr> <tr><td>Mes 3</td><td>24 m3</td></tr> <tr><td>Mes 4</td><td>27 m3</td></tr> <tr><td>Mes 5</td><td>24 m3</td></tr> <tr><td>Mes 6</td><td>24 m3</td></tr> </table>	Mes 1	36 m3	Mes 2	23 m3	Mes 3	24 m3	Mes 4	27 m3	Mes 5	24 m3	Mes 6	24 m3	
Mes 1	36 m3													
Mes 2	23 m3													
Mes 3	24 m3													
Mes 4	27 m3													
Mes 5	24 m3													
Mes 6	24 m3													
<b>PROMEDIO:</b> 26 m3														
<b>IMPORTE EN Bs.</b> 82.00	<b>VENCIMIENTO:</b> 08/01/2000	<b>TOTAL BILL</b>												
<b>DEUDA ACUMULADA AL MES ANTERIOR Bs.</b> 0	<b>POR</b> 0 Meses	<b>82bs (\$13.67)</b>												
<b>OBSERVACIONES:</b>														

CENTROS DE COBRANZA: - OFICINAS AGUAS DEL TUNARI S.A.  
 -BANCO SANADERO, SANTA CRUZ, UNION - COOPERATIVAS SAN JOAQUIN, PIO X  
 -SAN PEDRO, SAN ANTONIO, TUKUTPAJ, HOSPICIO, SAN CARLOS, CRISTO REY

PARA MAYOR INFORMACION LLAME AL TELEFONO 107

Washington and Lee University

**AGUAS DEL TUNARI S.A.**  
 AVISO DE COBRANZA # GFC66  
 NO VALIDO PARA CREDITO FISCAL  
 Codigo de Cliente: **093605700**

**GERMAN JALDIN**

**BILL FOR JANUARY 2000**

**USE FOR MONTH 38 CUBIC METERS**

**BILL FOR MONTH 157Bs (\$26.27)**  
**INCREASE = 90%**

NOMBRE: JALDIN A GERMAN  
 DIRECCION: C M ETEROVIC-01125  
 Fecha de Lect. Ant: 09/12/1999  
 Fecha de Lect. Act: 11/01/2000  
 Fecha de Emision: 11/01/2000  
 Servicio: AGUA Y ALCANTRILLADO  
 Consumo Registrados en los ultimos 6 meses:  
 Promedio: 28 m3  
 Consumo Actual: 38 m3  
 Importe en Bs: 157.00  
 Deuda acumulada al mes anterior Bs: 0  
 Observaciones:  
 Vencimiento: 10/02/2000

Mes	Consumo (m3)
Mes 1	35 m3
Mes 2	35 m3
Mes 3	23 m3
Mes 4	24 m3
Mes 5	27 m3
Mes 6	24 m3

CENTRO DE COBRANZA: OFICINAS AGUAS DEL TUNARI S.A.  
 - BANCOS BANDERO, SANTA CRUZ, UNION - COOPERATIVAS SAN JOAQUIN, PEO X  
 - SAN PEDRO, SAN ANTONIO, TUKUPAJ, HOSPICIO, SAN CARLOS, CRISTO REY  
 PARA MAYOR INFORMACION LLAME AL TELEFONO 107

(Democracy Center)

While his usage only increased three cubic meters from before the rate increase to after, his overall bill increased by 90%. As an R3 water user, Jaldin probably earns the Bolivian minimum wage of \$67, meaning he uses almost 40% of his monthly salary to pay for water. When faced with a drastic increase like this, it is clear to see why the citizens of Cochabamba took to the streets in protest. As a result, the government proposed to rollback the original 35% increases that were to be distributed across social lines to 20%. The poorest sector of the population would therefore be paying even less by February. Yet, the following two bills from December of 1999 before the rate increases and from February of 2000 after the adjusted increases show otherwise. Jose Aramayo is a category R2 water user, which means he is among Cochabamba's poorest. The planned socially progressive rate structure and ensuing rate rollback simply never happened.



**AGUAS DEL TUNARI S.A.**  
 Calle Kanan Tupiza # 226 / Telf: 107 - 107 / Fax: 107/94  
 Cochabamba - Bolivia

RUC: 5060247  
 IMPUTACION 01148894  
 ORDEN 7082410

**FACTURA POR SERVICIOS - ORIGINAL CLIENTE**

UBICACION Y FECHA DE PAGO: Cba, 26/Ene/2000  
 PRECATORIO: CDR01 10:33

NOMBRE DEL CLIENTE: **ARAMAYO V JOSE**  
 C.B.N.-HUANUNI 00000

FECHA DE EMISION: 23/Dic/1999  
 FECHA DE VENCIMIENTO: 22/Ene/2000  
 CATEGORIA: 4 R2

201213500	AGUA	19,00
	ALCANTARILLADO	8,00
	TRIP. CONFORMANTE TARIFA	2,00
	Descuento Ley 1885	4,00
		<b>****25,00</b>

MEDECINA 00/100 Bolivianos  
 \*\*\*\*\*25,00

**TOTAL BILL 25bs (\$4.16)**

**AGUAS DEL TUNARI S.A.**

**AVISO DE COBRANZA**  
 NO VALIDO PARA CREDITO FISCAL

Para llamar a AGUAS DEL TUNARI:  
 Comerciales al numero: 107  
 Reservas, pedidos, facturas, cobros, renuncia, control

CODIGO 2012135001  
 N° 634

Nombre: **ARAMAYO V JOSE**  
 Dirección: C.B.N.-HUANUNI 00000

Fecha Lect. ant.: 0  
 Lect. actual: 0  
 Categoría: R2  
 Fecha Lect. act.: 0  
 Lect. actual: 0  
 Importe: **39,80**  
 Mes de Cob.: Ene/00  
 Consumo: 15  
 Emisión: 25/Ene/00

El total adeudado es Bs. **70,80** correspondiente a facturas

Fecha de Vencimiento: **24/Feb/2000**



Usted pertenece al ciclo: 16

**TOTAL BILL 39.80bs (\$6.63)**  
**INCREASE = 60%**  
**BILL DUE FEBRUARY 2000**

(Democracy Center)

As a result, someone who earned well below the minimum wage faced a 60% increase in their water bill. The following chart illustrates the breakdown of the average rate increases that Aguas del Tunari implemented during the months that it owned Cochabamba's water concession:



<b>WATER BILLS – TOTAL BY USER CATEGORY</b>			
<b>SEMAPA VS. BECHTEL (AGUAS DEL TUNARI)</b>			
<b>USER CATEGORY</b>			<b>INCREASE</b>
			<b>\$ (%)</b>
<b>(R1) Empty land</b>	<b>\$44,191</b>	<b>\$64,854</b>	<b>\$20,663 (47%)</b>
<b>(R2) The very poor</b>	<b>\$762,740</b>	<b>\$1,092,308</b>	<b>\$329,568 (43%)</b>
<b>(R3) The poor</b>	<b>\$1,415,454</b>	<b>\$1,976,697</b>	<b>\$561,243 (40%)</b>
<b>(R4) Middle class</b>	<b>\$1,363,547</b>	<b>\$2,145,621</b>	<b>\$782,074 (57%)</b>
<b>+</b>			
<b>Commercial users</b>	<b>\$1,531,530</b>	<b>\$2,440,446</b>	<b>\$908,916 (59%)</b>
<b>TOTAL</b>	<b>\$5,117,462</b>	<b>\$7,719,926</b>	<b>\$2,602,464 (51%)</b>

Source: SEMAPA computer records) 

(Methodology: SEMAPA used its actual billing records for April-December 2001 for water use and charges and applied the rate hikes imposed by Aguas del Tunari in 2000 based on the same level of water consumption per customer. The water rates charged by SEMAPA during this time are the same used prior to Aguas Del Tunari's price hikes.)<sup>1</sup>

(Democracy Center)

While the theoretical goal of a progressive rate structure was sound, the reality was another matter. The statistics illustrate overall increases of 51%, even accounting for the same amount of water consumption. This is over double the rollback rate of 20% and significantly higher than the proposed rate increases of 35%.

While Bechtel blames the Bolivian government for pushing the Misicuni Dam Project and forcing immediate and sharp increases in rates, the fact remains that Aguas

<sup>1</sup> All figures published at <http://www.democracyctr.org/bechtel/waterbills/waterbills-global.htm>

del Tunari willingly entered into the water concession knowing that these rate increases would be necessary (Marshall). Undoubtedly, both the government and the company were aware of the sensitive social and political climate of the country that regularly experiences social unrest. It is simply irresponsible for Bechtel to blame the government for the contract when it agreed to the terms of the contract, and the \$25 million suit only adds further insult to injury. Furthermore, Aguas del Tunari failed to apply the rate structure agreed upon through the contract, yet is still suing Bolivia for canceling the very same contract that Aguas del Tunari broke. It seems rather unsettling that the improved management obtained through privatization failed to accomplish the basic accounting aspects of the contract.

To further complicate the situation, the World Bank claims innocence even though it pushed an inadequate and corrupt government to negotiate a privatization deal. Ironically, the Bank's 2003 Program for Water Supply and Sanitation still emphasizes the role of the private sector in order to avoid government monopolies. Under the circumstance in Cochabamba, Bechtel was essentially a monopoly because there was no competition, and in turn no a market driven price. Even though the Bank did not approve of the final contract with Aguas del Tunari, it proposed privatization in a climate that was destined for failure. The World Bank, Bechtel/Aguas del Tunari, and the Bolivian government all must share the blame for the fact that close to 40% of Cochabamba's citizens are without water and even more lack proper sanitation. Ultimately, the economic and political processes of privatization failed because they did not improve and expand water services and fulfill the right to water.

## Privatization and Water Rights

With respect to water distribution, current methods for providing access to clean water can be owned and managed by public companies, private companies, or some combination of the two. Full ownership and management of water resources by a private company is especially ineffective in developing countries because profit seeking companies will find poor areas to be a less profitable investment (UNDP 116). At the same time, however, public-private partnerships, like the case of Cochabamba in 2000, “often do the same, even more directly – through charges that hit poor people disproportionately more” (UNDP 116). Thus, while water services may become more readily available through privatization, the cost factor may make the realization of the right to water impossible. Moreover, the performance of water privatization, either full or public-private, is inconclusive at best (UNDP 116). Nevertheless, there are success stories through water privatization, but “success in privatizing water services largely depends on government regulation, investor interest and the initial state of the enterprise” (UNDP 116). As a result of the known inadequacies of the Bolivian government in conjunction with corruption and a general lack of accountability, both Bechtel and the World Bank showed irresponsibility in their role in privatizing Cochabamba’s water. Additionally, since “public-private partnerships are based on the assumption that customers pay for services,” there is no reason that a more accountable state-run services, perhaps with the aid, guidance, and consultation of successful first world operations, cannot achieve the same goals (UNDP 116). Measures should have been taken to fix the problems with SEMAPA’s inverse rate structure and expand services through the public

company. Also, outside consultation could have been used to fix leaks and train SEMAPA management to better provide water services and eventually expand.

If water is seen as a “basic right,” then governments should do everything possible to maximize the right to clean water for as many citizens. Governments around the world are finding ways to accomplish that goal. For example, the Chilean government uses subsidies to ensure that no household uses more than 5% of its income to pay for water. South Africa has proposed to offer 50 liters of free water a day for the poor, which is the World Health Organization minimum for health and hygiene (UNDP 117). Can privatization accomplish these goals? Perhaps, but a desire to satisfy the subsistence right to water must weigh more than the desire for profits. Even then, it may be more beneficial to properly train and finance public companies instead of pushing for privatization. By maintaining a successful and transparent public company, communities can grow from within their own borders through the success and knowledge outside their borders.

### **Lessons from Cochabamba**

The Water War of Cochabamba illustrates the failure of several organizations and the reaction of a city that was unwilling to allow yet another failure negatively affect them. The people of Cochabamba took a situation into their own hands when their government, a multilateral bank, and an international consortium abused their ability to provide water, a subsistence right. The strength of the Coordinadora illustrates a desire for positive change and reflects a society that is cohesive enough to grow from within if given the proper resources. While causes of the failure are multiple and complicated,

several measures could have been taken to avoid such a disaster. Assuming that privatization was the only solution, measures should have been taken by all parties to ensure transparency in order to avoid corruption. When only one bidder agreed to the terms of the contract, a new contract, perhaps with a revised plan for the Misicuni Dam project, should have evaluated and a new round of bidding prepared. Additionally, no part of a contract to provide water should have guaranteed a 16% profit. If privatization arises as the most efficient and productive route to fulfill subsistence rights to water, then profits should be a secondary incentive. Water prices should be fair enough to fulfill rights in a sustainable manner, both economically and environmentally. Ultimately, the failure in Cochabamba should stand as a lesson to society, both locally and globally, that meeting subsistence rights is essential if growth and progress are to have any meaning at all.

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